

University of KwaZulu-Natal

**An Analysis of the Effectiveness of the Public Private
Partnership (PPP) Procurement Process for Tourism Projects**

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degree of Doctor of Business Administration**

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Law and Management Studies**

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DECLARATION

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ABSTRACT

Although the South African government has implemented a range of infrastructure delivery programs that have significantly increased access to services, large backlogs remain. Within the same context, National Treasury concedes that it would be wrong to assume that government can meet this challenge alone. The state is expected to complement its budgetary capacity with investment capital and the wealth of innovative and special skills available within the private sector, through public private partnerships. Two out of ten government entities, who applied to go through the public private partnership procurement process, reach the end of this process. This increasing failure rate of public private partnership procurement initiatives was the motivating factor to conducting this study. Therefore, the objective of the study was to evaluate the effectiveness of the public private partnership procurement process and to better understand the reasons for Treasury Approval Phases being passed or not passed with the intention of formulating more effective guidelines to assist in guiding organisations as they embark on this process.

This was a qualitative study conducted among 36 participants who were managers and coordinators of tourism PPP projects within KwaZulu-Natal and Mpumalanga Provinces of South Africa. They were selected purposefully. There were individual interviews conducted and a focus group discussion consisting of twelve (12) people. Data was analysed thematically.

This study revealed that there is an understanding of the meaning of the public private partnerships and of the theories that influence or should influence the process. However, the study further revealed that there are gaps with the implementation of the process. The guidelines provided through the Treasury Department, are unable to regulate the process to ensure that the stages are finalized timeously. The biggest challenge was with the project initiation stage. Gaps in managing the project initiation stage contribute to the reason why most organization struggle to proceed beyond the Treasury Approval 1 stage. Other areas identified as critical contributors to the failures within the process were capacity building on PPPs, ensuring that the enabling environment is ready for PPPs and the financial support for project facilitation process.

The study concluded that the public private partnership procurement process is a very good policy tool that, if managed and structured correctly, can create many positive benefits. However, the gaps within the enabling environment and practice, renders it ineffective. Hence the proposed model's focus on the PPP project initiation stage.

TABLE OF CONTENTS

Item No.	Item	Page No.
	Cover page	1
	Declaration	2
	Abstract	3
	Table of Contents	5
	CHAPTER ONE	
1.	GENERAL INTRODUCTION, SCIENTIFIC AND METHODOLOGICAL ORIENTATION TO THE RESEARCH	14
1.1	Introduction	14
1.2	Background to the study	16
1.3	Problem Statement	19
1.4	The aim of the Study	21
1.5	Five Themes and guiding questions	22
1.6	Significance of the research	23
1.7	Literature Review	24
1.8	Scientific and Methodological Approach	26
1.9	Note on Positionality	27
1.10	Study Location	28

1.11	Summary on the chapters to follow	29
1.12	Summary	31
	CHAPTER TWO	
2.	KEY Pillars to Theoretical Framework: Conceptual Underpinnings	32
2.1	Introduction	32
2.2	Diagrams and background to theoretical review	32
2.3	Contextualizing and Conceptualizing Partnerships	37
2.3.1	Partnerships defined	37
2.3.2	Types of partnerships	43
2.3.3	Partnership models	49
2.3.4	PPP theory and practice	51
2.3.5	Critique of PPP projects	54
2.3.5.1	Causes for PPP projects failure	56
2.3.5.2	Global experience on PPPs with reference to Ireland, USA, Australia and the United Kingdom	58
2.3.5.3	PPPs in South Africa	60
2.4	Contextualizing and Conceptualizing Procurement	63
2.4.1	Introduction to procurement	63
2.4.2	Procurement defined	64
2.4.3	Procurement within the supply chain	66
2.4.4	Procurement theorisation as a life cycle	67
2.4.4.1	Steps within a procurement life cycle	68
2.4.5	Procurement as a key organisational strategic driver	69
2.4.6	PPP procurement: theory and practice	70

2.4.7	The public and the private sector's procurement process	70
2.4.8	Public private partnership as a procurement mechanism	72
2.4.9	South African Treasury adoption of the tourism PPP procurement theory	73
2.5	Summary	75
	CHAPTER THREE	
3.	ENABLERS TO PUBLIC PRIVATE PARTNERSHIP PROCUREMENT PROCESS	75
3.1	Introduction	75
3.2	Strategic drivers influencing the environment	77
3.2.1	Business continuity initiatives	77
3.2.2	Risk management	79
3.2.3	The privatisation strategy	80
3.2.3.1	Conceptualising and contextualising privatisation as an enabling strategy	81
3.2.3.2	Reasons for privatisation	83
3.2.4	Organisational culture	84
3.3	Project financing	87
3.3.1	The agency theory	87
3.3.2	Source of corporate funding	90
3.3.3	The influence of law on project funding	93
3.4	Role Players	94
3.4.1	State / Government owned enterprises	95
3.4.2	The Treasury	97
3.4.3	Private sector and its role in enhancing PPPs	98
3.4.4	How both private sector and public sector influences each other	100

3.5	The role of government on privatisation and its regulatory reforms in enhancing PPPs	101
3.6	Organisational leadership	103
3.7	The role of organised labour in South Africa	103
3.8	The role of communities neighbouring the project	104
3.9	The role of financial institutions	105
3.10	Summary	105
	CHAPTER FOUR	
4.	CURRENT PRACTICE ON TOURISM PPP PROCUREMENT PROCESS	106
4.1	Introduction	106
4.2	Legislative framework, policy dimension and strategic framework	108
4.3	Tourism mandate and the tourism industry	110
4.4	Position and elements of the tourism growth strategy	112
4.5	PPP practice in South Africa	113
4.6	South African policy definition of public private partnership	114
4.7	Dedicated PPP unit, expertise and knowledge	118
4.8	Project approval processes	120
4.9	The Nigerian case study in implementing PPPs	123
4.10	Summary	123
	CHAPTER FIVE	
5.	RESEARCH DESIGN AND METHODOLOGY	124
5.1	Introduction	124
5.2	Research methodology and design	125
5.3	Qualitative research paradigm	128
5.4	Data collection procedure	130

5.4.1	Process followed in developing questions	130
5.5	Linking the research objectives to the sub problems and questions	133
5.6	Research Target	135
5.6.1	Sampling procedure	146
5.7	Data collection: individual interviews and focus groups	144
5.8	Data Analysis	145
5.9	Validity and reliability	145
5.9.1	Validity	146
5.9.2	Reliability	148
5.9.3	Trustworthiness	149
5.10	Research ethics	149
5.11	Limitations	151
5.12	Summary	152
	CHAPTER SIX	
6.	INFORMATION GATHERED ON THE UNDERSTANDING ON PPPS AND GAPS IDENTIFIED	153
6.1	Introduction	153
6.2	Understanding the PPPs and their Procurement Practice within the targeted organisations	154
6.3	Establishing the understanding about PPPs in general	156
6.4	Expounding the conceptual background of the PPP procurement process	162
6.5	Analysing the identified gaps within the PPP procurement process	173
6.6	Chapter Summary	183

	CHAPTER SEVEN	
7.	STAKEHOLDERS' PERCEPTION OF PPP GUIDELINES' PERFORMANCE AND PROPOSED CHANGES	184
7.1	Introduction	184
7.2	Analysing the stakeholders' perception of the PPP procurement process and its influence on the stakeholders	184
7.3	Analysing the PPP procurement process performance	194
7.4	Recommendations for change	199
7.5	Summary	205
	CHAPTER EIGHT	
8.	THESIS SUMMARY, FINAL CONCLUSIONS AND THE PROPOSED GUIDELINES FOR THE IMPLEMENTATION OF THE TOURISM PPP PROCESS AS A TOOL KIT	207
8.1	Introduction	207
8.2	Thesis Summary	207
8.3	Key Findings	212
8.4	Conclusions on Findings	218
8.5	Enablers Provincially	222
8.6	Recommendations and Proposed Guidelines	222
8.7	Further Research Proposed	235
9.	Bibliography	237

10. APPENDICES

ITEM NO.	ITEM	PAGE NO.
	LIST OF APPENDICES	
A.	Project Background Information	255
B	Link Between Secondary Literature and the Specific Questions	262
C	Individual Interview Questions	265
D	Focus Group Interview Questions	272
E1 – E2	Ethical Clearance and Change in Title: Authorisation	280-281
F - G	Informed Consent Letter	282-283
H – I	Gate Keepers Letters	284-286
J	Turnitin Report	287

11. LIST OF FIGURES

1.	Figure One - Three Key Pillars to the Theoretical Framework	33
2.	Figure Two - Conceptual Underpinnings (Partnership and Procurement)	34
3.	Figure Three – Enablers to an Effective Implementation of a PPP Procurement Process	35
4.	Figure Four - Current Practice on Tourism PPP Procurement Process	36

5.	Figure Five - Proposed process flow for the PPP procurement initiation stage	225
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12. LIST OF TABLES

Table no.	Content	Page No.
1.	Sub Problems and Interview Questions	133
2.	Selected PPP cases, Organisations and Treasury Approval Stages of Projects Selected	139
3.	PPP Project Stages	139
4.	Organisations and their Level of Exposure within the Phases	141
5.	Participants in Individual Interviews and Focus Group	142
6.	Link of the PPP process to the conceptual background	169
7.	List of theories influencing the procurement process	170
8.	Sections that need to be addressed for effectiveness	174
9.	Risks identified by participants	176
10.	Risks incorporated within the PPP procurement process	178
11.	Risk elements identified	179
12.	Ability of PPP procurement process to attract the public sector	182
13.	Preference of the Tourism PPP Procurement Process	187
14.	Ability to encourage the sector to work together	191
15.	Ensuring compliance with the regulatory requirements	192

16.	On culture and strategy supporting the process	193
17.	On completion of the Treasury approval process	196
18.	Guidelines that did not Assist Organisations	199
19.	Insufficiency of the guidelines on the process	202

CHAPTER ONE

GENERAL INTRODUCTION, SCIENTIFIC AND METHODOLOGICAL ORIENTATION TO THE RESEARCH

1.1 Introduction

Around the world, public private partnerships (known as PPPs) have become increasingly popular for delivering large-scale public infrastructure. Between 1985 and 2010, across the world, more than 1600 transportation, waste and water, energy, health, education, and justice facilities were delivered using PPPs, with a combined value of over US\$700 billion (Roberts & Siemiatyeki : 2015). Roberts and Siemiatyeki (2015:59) further argue that “while public private partnerships have become increasingly popular for delivering large-scale public infrastructure around the world, a common critique is that the structure of the relationship is typically more akin to contracting out than a truly meaningful collaboration between the partners.”

According to Coyle, et al. (2003), effective procurement methods and the closely related concept of partnership management, are the necessary cornerstones of a competitive strategy, risk management and a means of increasing shareholder value for most organisations. Furthermore, Coyle, et al. (2003) asserts that the issue of an attractive partnership has been very popular with most business analysts of capital investment methods or approaches. Hence, business continuity initiatives through procurement methods have highlighted public private partnerships (PPP) as an important new concept for procurement. Collaboration among procurement partners is another important ingredient for procurement success. Hence, concepts such as partnerships, joint ventures, outsourcing and alliances have become part of the procurement vocabulary and are indicative of the fact that the traditional adversarial basis to business interactions has been changed. This study comprehensively analysed the effectiveness of a specific partnership-related procurement process (PPP) procurement process for Tourism in South Africa.

This study focuses on the South African national government's capacity building framework (initiative) of 2002 (herein referred to as the public private partnership procurement process) and the variables that influence the successful implementation of the public private partnership procurement process for tourism projects. The South African government's inability to satisfy infrastructural needs and its intervention to that effect, led to the development of the (PPP) procurement process as a source of corporate funding. This study analyses the current success or failure rate of this process.

The introductory chapter highlights the scientific and methodological orientation to the research and provides a background and rationale to situate the problem within its context. This chapter further provides the significance of the study; an overview of the theoretical framework underpinning the study and the institutional location where this process is regulated within the South African National Government. The qualitative approach to the study is explained as a precursor to the methodology used for the purposes of this thesis. In this regard, the chapter introduces the variables that influence the scientific and methodological orientation. Furthermore, the research techniques applied for the purposes of this thesis are also clarified and constitute the concepts of conceptual analysis and the conceptual model.

This first chapter also pays attention to the triangulation of the research data collection methods in terms of the documentary sources, as well as structured and unstructured interviews (refer to Appendix B). The limitations to the study are also highlighted. All these sections from the background and rationale through to the problem statement, aims of the study, theoretical background, themes that informed the questions, research methodology, study location and study limitations provide the introduction and overall methodological orientation to the research study. The chapter concludes with an overview of the chapters contained in the thesis.

1.2 Background to the study

1.2.1 South African government's influence on PPPs

The South African National Treasury PPP Manual (October 2015:1) Version 3, acknowledges that “the overwhelming priority for South Africans, particularly government organisations, is to meet the socio-economic needs of all South Africans.” Furthermore, South Africa (S.A.) faces daunting challenges in the delivery of public services and infrastructure (South African National Treasury PPP Manual, October 2015, Version 3). S. A. National Treasury concedes that it would be wrong to assume that government can meet these challenges alone. The state is therefore, expected to complement its budgetary capacity with the wealth of innovative and special skills available within the private sector. Furthermore, the availability of state resources for partnerships must be used to leverage much needed private sector investment in public infrastructure and services. Importantly, as far back as 2001, Russell & Bvuma (2001:5) argue that “addressing backlogs in essential public services, while maintaining sound fiscal policies, requires greater efficiency in the delivery of public services.” Therefore, all options for achieving greater efficiency in the delivery of public service needs, had to be explored.

According to the review of the S.A. National Treasury PPP Manual (2016), a PPP is defined as a contract between government institutions and the private sector where the private sector performs an institutional function and/or uses state property in terms of output specification where substantial project risks (financial, technical or operational) are transferred to the private party. As indicated in the National Treasury PPP and Procurement Standard Manual, Version 3 of 2002, the simplest form of a PPP is a service contract. In such contracts, a government department typically awards a private party the rights and obligation to perform a specific service within well-defined specifications for a period of perhaps one to three years. The investment on capital, ownership and the control of all facilities and their operations, is retained by the government (Pride, et al. (2017). In the former, according to the S. A. National Treasury PPP Manual, (2016) Version 3, the concessionaire's responsibilities are expected to include maintenance, rehabilitation, upgrading and enhancement of the facility which may involve substantial capital investment.

1.2.2. Institutional Location of PPPs

In April 1997, (S.A. National Treasury, PPP Unit, 2002) the South African Cabinet approved the establishment of an Inter-Departmental Task Team (IDTT), chaired by the Department of Finance, to explore how PPPs could improve infrastructural and service delivery efficiency. The national public private partnership program development, was mandated to IDTT. The key objectives of this program were to identify the major constraints to the successful implementation of PPPs, develop a package of cross-sectorial and intergovernmental policy, and develop legislative and regulatory reform, (A National Treasury Strategy Review Records, 2012). In developing the national public private partnership program, the starting point was to come to an acceptable understanding of public private partnerships ranging from a simpler public private partnership to a more complex public private partnership (S.A. National Treasury, PPP Unit, 2016).

According to the Public Private Partnership Manual of 2006, the PPP procurement process was occasioned by the shortage of funds from the government for capital investment projects (S. A. National Treasury PPP Unit, 2007). With the focus of the national procurement process being primarily on critical infrastructure such as the building of schools and hospitals, some government entities, such as the tourism agencies, are seen as less critical utilizers of the established state procurement process. As a result, entities such as tourism agencies adopted strategies to develop other capital funding models for their capital requirements. As defined by Brotzge, et al. (2015:44) “capital is money that is used to invest in the business whether to buy new equipment, new capacity or extra space.” Brotzge, et al. (2015) further assert that the investment of capital enables a business to expand and thus increase revenue and profits.

It is noted that capital can be raised from shareholders, through retained profits, through rights issues, through loan capital or through the disposal of assets (Thompson & Martin, 2005). All these avenues for raising capital are not necessarily possible for government entities without having to restructure or realign some of their processes (National Treasury Strategy Review Records, 2012). Hence, the option of exploring partnerships with the private sector was developed through the procurement process referred to as the public private partnership procurement process, which had to be coordinated within one of the government departments.

1.2.3 Background to PPP guidelines for tourism

In 2001, the South African government developed and implemented the Tourism Public Private Partnership Procurement process, through the Finance Ministry. PPP guidelines are non-punitive and provide program guidelines and criteria, hence, Kildow (2011:187) argues that “guidelines are produced by professional organisations and set best practices for operational effectiveness and control.” For effectiveness, guidelines must be regularly revised to include newly improved practices. These practices must consider the country’s priorities for relevancy. Therefore, as part of the background, the study probes what the priority is for South Africa and then relates this to the relevance of the development of PPPs. In terms of the S. A. National Treasury Strategy Review Records, (2012) on guidelines and practices, the National Treasury Division within the Finance Department is tasked with the responsibility of regulating this procurement process for government entities.

According to the S. A. National Treasury PPP Manual, (2004, Version 3), in the latter, the private party finances the construction, as well as the operation and maintenance of the infrastructure facility, for a given period. Opportunities, brought by private investors to tourism-related development projects, are seen as a relief to the financial burden on the government as it faces a challenge of limited financial resources. The current available and limited resources are thus typically channelled to what is seen as critical infrastructural projects such as the building of schools and houses, rather than tourism economies. This private sector investment in tourism-related development projects, however, impacts the important government objective of facilitating the process of job creation, which is a priority for South Africa, as a whole. Solving funding problems also potentially contributes positively to service delivery challenges. The responsibility of service delivery as well as managing the relationship within the PPPs still rests with the partners, including the state in a public private partnership. Shared service delivery responsibility does have other implications, but alleviates the burden to deliver services effectively. Harper, *et al.* (2000: 224), argue that while service delivery through a PPP, changes the means of delivering a service, it does not change a department’s accountability to ensure that the services are delivered. However, Coyle *et al.* (2003:25) assert that “the department’s focus shifts from managing the inputs to managing outcomes, that is, becoming the contract manager rather than a resource manager.”

This background has provided the details about the institutional location of this PPP procurement process and where this process is regulated within government' departments. It further provided an introduction to the government's inability to satisfy infrastructural needs, the government' interventions that led to the development of the PPP procurement process and the current success rate of proposals submitted through this process.

1.3 Problem statement

According to the S. A. National Treasury PPP Manual, (2004), the intentions of the PPP procurement process for the government are to assist in the risk transfer from the public sector to the private sector; use funds from the private sector for the development instead of government funds and providing an opportunity for the transfer of skills from private sector employees to government employees.

There are two guaranteed benefits highlighted in the National Treasury PPP Manual, (S.A. National Treasury, PPP Unit, 2007). The first guaranteed benefit for the private sector relates to the saving on costs for land and basic infrastructure development. The second guaranteed benefit is the peace of mind of limited guarantees in unforeseen situations which amongst others, could be political. These benefits amongst other issues, are the key attractions for the private sector (S. A. National Treasury Department, 2007).

The current PPP process as a preferred procurement method in South Africa and according to National Treasury, is the most viable method of partnering with the private sector in providing much needed infrastructural projects or services for the country. However, very few proposals go through the phases of the process successfully. According to the Treasury PPP Practice Notes, (S.A. National Treasury Department, 2015), a number of proposals on projects owned by government entities have failed to deliver or complete the process steps set to secure the Treasury Approval Phases. This has had a negative impact on the progress of projects. On the contrary, according to Treasury records of registered applications for PPP projects, a number of qualifying and interested investors submit proposals for partnership

with government entities of tourism development projects. However, the challenging process of going through the Treasury Approval phase I, II and III often pushes potential investors to seek other opportunities outside of government entities for investments. However, records within the National Treasury PPP Manual (S. A. National Treasury Department, 2015) suggests the opposite, and the frustration with the process encourages the private sector to opt for investment ventures with less complicated investment conditions or processes. This affects the very key government objective of facilitating the process of job creation.

Despite its growing global popularity, as argued by Reeves, et al. (2014:14) “the PPP model has been accompanied by problems associated with tendering and the negotiation of contracts between public sector clients and private sector providers.” Countries such as Australia and the United Kingdom have experienced lengthy time overruns during the pre-contract stages (KPMG, 2010). However, HM Treasury (2012) presents that Australia and the United Kingdom have recorded slower times when compared to other European countries. Procurement timelines were significantly slower than in Canada. H.M. Treasury (2012) found that average procurement times (from initial project tender to financial close) have remained around 35 months. These time lines vary across sectors with an average time of 22 months for PPP procurement projects. In Ireland, 38 months were recorded for schools by the University of Sheffield and significantly longer times recorded in the housing and waste sectors (HM Treasury, 2012).

According to the South African National Treasury Strategy Review records, (2012), two out of ten government entities, that apply to go through the tourism PPP procurement process, reach the end of phase I of the approval process and thus acquire Treasury Approval I. The S. A. National Treasury Strategy Review Records, (2012) on registered projects’ progress, states that only five projects within the South African public protected areas have gone through the Treasury approval process successfully. The province of KwaZulu-Natal is yet to have one proposed project going through the process successfully. The very high failure rate of PPP proposals was the primary motivating factor for this study.

1.4 The aim of the study

Given the problem noted above in relation to the Treasury process, the main aim of this study is to evaluate the effectiveness of the public private partnership procurement process, and to better understand the reasons for Treasury Approval Phases being passed or not passed for project applications with the intention of formulating more effective guidelines to assist organisations as they embark on this process. Within this study, the overall intention is to develop Public Private Partnership procurement guidelines supported by a theoretical background and a critical analysis of PPP procurement processes.

A further objective of this study, is that these guidelines would encourage potential private investors to invest in projects and ultimately relieve government funds to focus on other critical community needs whilst enabling the tourism partnerships to create sustainable jobs. In evaluating the effectiveness of the process, the study focused on analysing the applications and proposals submitted thus far to understand their reasons for success or rejection; and for the rejected proposals to establish more effective guidelines that will assist organisations as they embark on this application process. As part of this analysis, the study has an interest in understanding a number of challenges faced by both government entities and investors from the private sector and should thereby, contribute to improving the number of successful partnerships which contribute to economic growth and job creation in the long term.

Given the overall aim, the main research question addressed by this thesis is: **What is the link between the success or failure of PPP tourism projects and the PPP procurement process tourism toolkit?** In addition, further sub-questions were aligned to specific themes that were developed guided by the aim of the study. These questions also guided the study in terms of identifying the relevant literature that also ultimately informed the solutions to the problem. Hence, the following five themes of research questions are listed below.

1.5 Five themes with guiding questions

(A) Conceptual Background of Public Private Partnership Procurement Process

- Is there an existing conceptual background to the PPP procurement process in South Africa?
- What were the assumptions when the South African Treasury developed the concept?
- Are the guidelines adopted by government entities linked to the theoretical background?

(B) Identified gaps within the Public Private Partnership Procurement Process

- Are there sections within the PPP procurement guidelines that need to be addressed to enhance their effectiveness?
- Is the PPP procurement process fully incorporating all risks?
- Do PPP procurement guidelines by Treasury support government entities business objectives?
- Does the current PPP procurement process address the motivation for being in business partnership for the private sector?

(C) Perception by Stakeholders and the influence on Stakeholders

- Is PPP the preferred partnership type by private sector investors, public enterprise entities and funding institutions?
- Does the current PPP procurement plan safeguard the interest of all the stakeholders, encourage participation and ensure compliance with the regulatory requirements?
- Are the organisational policies and strategies aligned to support the PPP procurement process?
- Did the set public private partnership procurement process by Treasury have any influence on the stakeholders' decision to terminate the project?
- What is Treasury's view on the projects' progress and why so?

(D) Public Private Partnership Procurement Process Performance

- How many of the six registered projects completed the Treasury Approval phase III step?

- What was the reason for the success of those that were successful or factors that contributed to their success?
- What causes delays on the delayed projects?
- In reference to those that have not been completed, what is the reason and their status in terms of plans for completing them?
- Is there any link between the success or failure of a project and the procurement guidelines provided or application thereof?

(E) Contribution to the body of knowledge

- Should the guidelines be changed?
- What additional knowledge would strengthen the PPP procurement process?
- What alternative ways of thinking would strengthen the process and how would they strengthen the process?
- In what way should the PPP procurement approval process change to suit your organisational needs?

1.6 Significance of the research

Although S. A. National Treasury has provided guidelines for PPP implementation and provided all the legislation and policy frameworks deemed necessary for success, there are numerous failures in achieving project approvals. No systematic study has yet been undertaken on the effectiveness of the public private partnership procurement process for tourism projects. It is planned that this study will fill a gap in the critical understanding of the operationalization of the National Treasury PPP procurement process in South Africa. Furthermore, the study builds on this analysis to provide much needed practical guidance for improvement of this procurement study. It is anticipated that these recommendations and guidelines for procedural changes will be significant contributions to the success of PPP procurement and therefore, contribute to improved economic development practice in South Africa. Furthermore, providing stronger critical knowledge on PPP procurement for the tourism sector and potentially for other sectors. This includes a detailed exploration of the preparation before embarking on the process as guided by the National Treasury.

1.7 Literature review

According to Coughlan & Cronin (2015:41), “a good literature review engages one in a dialogue with the scholarly writings and arguments in the field, and helps to set a pattern for critical thinking and the development of a theoretical framework for the intended research.” It forms an integral part of the thesis and encourages a reflective approach to research. Creswell (2017) argues that a literature review should offer a synthesis of what has already been written on the topic and should show where the gaps are and how to fill them.

A literature review must also have the goal of clarifying and showing how the researcher’s proposal addresses the “gap”, silence or weakness in the existing knowledge-base. It is a critical study and state of the art on a research topic. In this study, the researcher has researched what scholars have written about the PPP procurement process and provided a critical assessment of both the content and quality of the literature review.

According to Mertens, (2011) and Fink (2013), a literature review more specifically assists the researcher to:

- *Become familiar with the subject area of interest;*
- *Find evidence in the academic discourse to establish a need for the proposed research;*
- *Ascertain the nature of previous research;*
- *Develop the context for the proper research problem/question;*
- *Identify the issues around the research question;*
- *Develop a research problem or question;*
- *Keep abreast of ongoing work in the area of interest;*
- *Establish a theoretical framework upon which to base the research.*

A sound advice provided by Yin (2016) states that:

“Discussing the literature helps to articulate your perspective and to establish your credibility as a researcher, indicating that you are familiar with the conversation in your topic area. Literature review should guide the researcher to analyse the concepts within the literature review” (p.83).

1.7.1 Conceptual Analysis

A conceptual analysis refers to the process of developing the empirical study's conceptual framework. It encompasses:

“A system of concepts, assumptions, expectations, beliefs and theories informing the research and is generally regarded as an explanation proposed to reach a better understanding of the social reality/phenomena that is being investigated” (Badenhorst, 2007:17).

According to Badenhorst (2007), a conceptual analysis needs to indicate which interpretations of concepts, theories, phenomena and variables the researcher believes to be the most valid and it must be supported by evidence.

1.7.2 Theoretical Framework

The following aspects are important in the application of the conceptual analysis in order to develop a theoretical framework:

- A theoretical framework unpacks the key concepts, theories and phenomena used in the preparation of the research study to determine the relationships between the concepts and variables to develop themes and categories (Badenhorst, 2007).
- The theoretical framework also provides the basic outline for analyzing the data to draw conclusions (Auriacombe, 2012). This means that it is the golden thread that runs through the entire study.
- The theoretical framework is usually unpacked in the content chapters based on the literature review.

The section on the theoretical framework is made up of three inter-linked chapters. The detailed analysis of these chapters is covered in chapter three.

1.8 Scientific and methodological approach to the study

The scientific reasoning of the research design and methodology used for this study purpose, is introduced in this section. Leedy & Ormrod, (2013:40) argue that “researchers, academics and consultants are required, in many different contexts, to engage in research and provide decision-makers in society and government with valid results.” These results often form the

basis on which various decisions are taken (Webb & Auriacombe, 2006 and Leedy & Ormrod, 2013).

1.8.1 Research Design and Methodology

According to Neuman (2011:20) “designing a study within a research approach or paradigm means that it is situated within a specific framework with interrelated assumptions, concepts, values and practices that comprise the way the researcher thinks reality should be viewed (ontology) and studied (epistemology).” In reality, when designing a research study, the focus should be on the research question and appropriateness of the research design that could best clarify the research purpose and perspective (Neuman, 2011).

There are a number of particular issues confronting the researcher in designing this study. First and foremost, researchers bring their own specific beliefs to a particular study. This often includes training in a particular field, knowledge of substantive topics, a particular standpoint, and theoretical approaches or a conceptual framework, (see a note on positionality in section 1.9). Secondly, depending on their epistemology and ontology, researchers have an idea (or way of reasoning) of how the study should proceed in order to answer the research question as truthfully as possible.

Although the information generated was, by design, used to contribute to the body of knowledge, the proposed guideline was used to solve procurement problems or contribute to the evaluation of the procurement PPP program. Hence, data collection was conducted within organisations. This therefore linked this process to applied research as it is presented by Vanderstoep and Johnson (2009) as a process that focuses on outcomes solving problems or evaluating a program.

The population in this study was all Tourism PPP projects and Tourism PPP project stakeholders within South Africa. Ideally for any study, the ability to cover the entire population provides more information for the findings, but for this study, it would have been too costly and impractical. Hence, a sampling frame was used to draw the sample from the complete list of all units. However, in this study, there was a real challenge of a rare

population. A rare population is the term used to describe small target groups of interest to researchers, (Groves, 2009). Sometimes what makes a population rare is not its absolute size but its size relative to available frames that cover it. When chosen as target populations, rare populations, pose considerable problems for identifying suitable sampling frames. Due to the limited number of available Tourism PPP applications or companies that have gone through application process, a deliberate sampling method was used. This is commonly known as purposive or non-probability sampling, (Creswell, 2017). Due to the fact of not having more than five tourism PPP's within each province, some elements within the sample were selected based on their accessibility, which is called convenience sampling, (Leedy & Omrod, 2013). The individual interview questions and focus group interview questions were used for data collection and qualitative analysis was used in analysing data collected.

1.9 Notes on Positionality

This section makes note of the positionality of the researcher in relation to the study since it has significance in the choice of research topic and the access to primary data sources used. A brief background to the researcher's job is a good starting point for providing a further rationale for conducting this study. Given the researcher's current position in Ezemvelo KZN Wildlife as the Head of the Business Development Unit, the frustration brought by challenges in the delivery within the researcher's current job and those of his colleagues was the first driving motivation for him to conduct this study.

The three pillars that define Ezemvelo KZN Wildlife are Conservation, Ecotourism and Partnerships. Partnerships have become the key enabler within the organisation as it has been proven many times that Ezemvelo would not achieve its objectives unless it has a clear strategy to manage partnerships with various stakeholders. A key deliverable for the Head of the Business Development Unit is generating additional revenue and reducing the cost of doing business. Broadly, it is to manage all the activities that are aimed at developing the business within Ezemvelo KZN Wildlife and to provide strategic support and coordination of all other Clusters' activities with the aim of ensuring the highest standard of service delivery. An additional requirement of this function is to drive projects aimed at business development

and increasing financial contributions while ensuring the alignment of Public Private Partnerships within the organisation.

The nine years of intensive involvement in managing public private partnership projects, as a project manager for Ezemvelo KZN Wildlife and those projects that belong to community entities, have resulted in the researcher's exposure to challenges emerging from different environments and shareholder gaps. The involvement as a team member in various transactional advisory structures and the evident challenges faced by prospective investors, government departments and other interested stakeholders such as communities hoping to benefit from the PPP projects, which emerged through this involvement, prompted the researcher to find an opportunity to contribute to this area of knowledge. The exposure to various training courses both locally and internationally on PPPs has further encouraged the researcher to conduct this study with confidence and a desire to contribute to the knowledge base and improved practices. Hence, the overall objective of the study was to contribute to the improved implementation of knowledge and the guidelines of Tourism's PPP procurement process.

1.10 Study Location

The specific focus of this study was on proposals made within the protected areas of South Africa. What made the protected areas more challenging was that, the risk of investing in these places or sites is higher for the investor as the ownership of land always rests with the government, regardless of the value of the investment. The fact that the site (a game reserve) is promulgated also reduces the limited opportunities for guarantees. The environmentally sensitive land usage rule further complicates the chances of flexibility for the investor. The Province of KwaZulu-Natal provides a more challenging environment than other provinces in South Africa because all the government owned or managed protected areas fall within the Tribal Authority Land registered under Ingonyama Trust (EKZNW Co-management Strategy Document, 2008).

A community surrounding the protected area has expectations of benefitting from operations within the protected area. This is regardless of whether the land may or may not have been claimed through the Land Restitution Process, which also brings another dynamic into this process. The land restitution process is a process by which all those who were forcefully removed from their land without compensation, are given back their land through a structured and controlled land claim process. This is either in the form of a title deed to the land or monetary compensation. The title deed option is not applicable to a game reserve or protected area, in the South African process.

Though the study involves other cases outside KwaZulu-Natal, the model proposed is targeted predominantly at the projects within KwaZulu-Natal. The reason for this was that if it is likely to work in KwaZulu-Natal, it would potentially work in other provinces where land management constraints are fewer. Due to the limited number of successful projects within the Province of KwaZulu-Natal, the study will focus on other cases across a number of provinces in South Africa as well as those in KwaZulu-Natal. Targeted locations are Ezemvelo KZN Wildlife, Isimangaliso Wetland Authority, Banzi Safaris, Tembe Safaris, Drakensberg Cable Car and the Kruger National Park (SANPARKS). The enabling organisations included within the study were both Provincial and National Treasury, Ithala Finance Corporation and the Provincial Department of Economic Development, Tourism and Environmental Affairs. Further details on these cases and actors are presented in Appendix A.

1.11 Summary of the chapters to follow

Chapter Two and Chapter Three presents a theoretical framework for the study.

Chapter Two deals with the conceptual underpinnings of the study. Two key concepts were explored, namely, partnerships and procurement. The public private partnership procurement process in question is centred-around partnerships, hence an intensive review of the literature around partnerships. The discussion focuses on eight definitions of partnerships and presents them from various theoretical perspectives to various types of partnerships that were similar, while others provide a unique perspective on the contextual relationships. The second concept underpinning the study is procurement. The public

private partnership procurement process is evaluated, hence, a strong focus on procurement is also included in Chapter Two.

Chapter Three covers the concepts of enablers as the second pillar to the theoretical framework. The holistic review of the literature on development enablers is important for understanding the key enablers affecting the delivery of an effective public private partnership procurement process. The key objective of enablers to facilitate continuous improvements within the public private partnership procurement process is addressed in **Chapter Three**.

Chapter Four turns towards addressing a more pragmatic aspect of PPP procurement, the current practice on PPP procurement processes, the strategic legislative framework guiding organisations in embarking on the PPP procurement processes, the South African Treasury approval process, and broader PPP experiences from various countries.

Chapter Five provides the methodology that is used to gather, analyse and present the information within this study. This chapter describes the main criteria for adopting a certain methodology from among a wide variety of alternative methods for investigation. This study used a qualitative research method, used a purposive sampling technique and a qualitative analysis was undertaken. These activities are discussed in the methodology. The research methodology chapter is followed by a section which incorporates two chapters, **Chapter Six** and **Chapter Seven**, in which a presentation, interpretation, analysis of research findings and discussions are included. The presentation of findings follows the themes that were guided by the research questions. The themes covered are (i) establishing the understanding of the PPPs in general and confirming the PPP procurement practice within targeted organisations; (ii) expounding the conceptual background of the public private partnership procurement process; (iii) analysing the identified gaps within the public private partnership procurement process; (iv) analysing the perceptions of stakeholders of the PPP process and the influence of the PPP process on the stakeholders; (v) analysing the public private partnership procurement process performance and (vi) the change needed within the guidelines leading to a proposal of improved guidelines.

The final chapter, **Chapter Eight**, provides a summary of the study, overall conclusions, recommendations and a proposal on the changes to the guidelines. The discussion clarifies whether there is a gap between what the original idea behind the tourism PPP procurement process was and the application of the guidelines and whether there are areas that need to be addressed. The projects that were evaluated reveal that the tourism public private partnership procurement process initiating stage, as discussed within the final conclusion, is the key contributing factor to the success or failure of a project's ability to complete the approval process. This chapter further covers the areas of the process that fall outside of the current guidelines but are important as a new contribution to the guidelines for processes outside the pre-phase or project initiation phase.

1.12 Summary

The aim of this chapter was to provide an outline of this study which serves to analyse and evaluate the effectiveness of the Tourism Public Private Partnership (PPP) procurement process as regulated by National Treasury for projects owned and driven by government entities. In doing so, the chapter has covered the introduction, the background to the study, problem statement, aim of the study, significance of the research, an overview of the literature, brief research methodology, note of positionality, location of the study and the summary. The next chapter turns to the theoretical framework of the study.

CHAPTER TWO

KEY PILLARS TO THEORETICAL FRAMEWORK: CONCEPTUAL UNDERPINNINGS

2.1 Introduction

The previous chapter introduced the study while the following chapters present the theoretical focus of the research. The theoretical framework is made up of three inter-linked chapters. The first two chapters, Chapter Two and Chapter Three, address the conceptual underpinnings of the study and Chapter Four engages with the current practice of PPPs. The following four diagrams are provided as a reference, summarizing how these chapters and their subsections are inter-linked and how concepts and theories used in the theoretical framework fit together.

2.2 Diagrams and a background to theoretical review

Figure 1 presents how the three chapters are inter-linked. There are three key pillars to the conceptual framework in relation to a tourism-related public private partnership procurement process in South Africa. These pillars are presented as the conceptual underpinnings of PPPs, an engagement with the enabling environment for the PPP process and thirdly, the current practice on PPPs related to the theoretical framework.

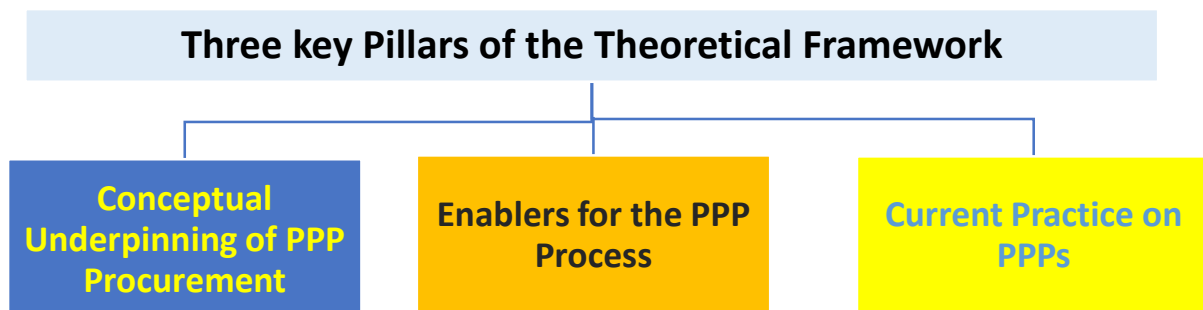


Figure 1: Three Key Pillars to the Theoretical Framework

Source: Researcher's Own Construction

Each of these three key pillars makes up a chapter with subsections. The first chapter of the theory (Chapter Two) deals with the conceptual underpinnings to the PPP procurement process from the perspective of both partnerships and procurement. The second chapter (Chapter Three) focuses on the enablers to the kinds of PPP procurement process examined in this research. The third chapter (Chapter Four) focuses on the current practice within the PPP procurement process. Chapter Four has been included at the end of the conceptual framework because it serves an important function. Although it is different to the conceptual discussion, the intention of the study to address weaknesses in the procurement process demands an in-depth engagement with existing PPP practices.

Figure 2 below presents the two key concepts underpinning the theory behind the PPP procurement process. These two concepts, partnership and procurement, are addressed in Chapter Two of the theoretical framework.

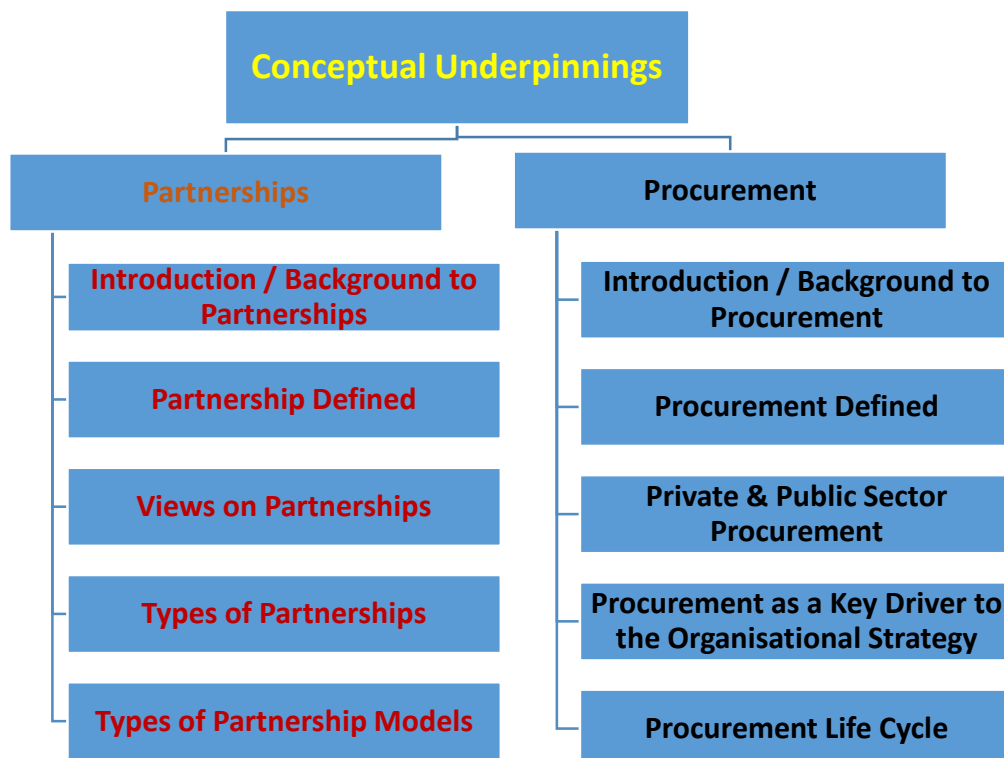


Figure 2: Conceptual Underpinnings (partnerships and procurement) and their subsections

Source: Researcher's Own Construction

Within the partnership sections, the focus is on the views advanced by different scholars on partnership, how they differ and/or agree on the definition of partnership, explore the reasons why organisations engage in partnerships and analyses the need for and benefits of partnerships. The last aspect of the consideration of partnerships focuses on the types of partnerships such as joint ventures, sourcing partners, and public private partnerships. Finally, this discussion compares the benefits and/or challenges within each partnership type.

The next concept addressed that underpins the research is procurement (See Figure 2). In the section on procurement, the researcher provides a background to procurement and further presents various definitions on procurement and thus, compares and analyses the views from different scholars on procurement, especially in the light of using the public private partnership process. Analysis of procurement as a key strategic driver from both the private and public sector is highlighted. This section also presents the theoretical background to procurement methods and PPP approval steps as one of the procurement processes. Finally, the life cycle of procurement is presented as a summary. Figure 3 presents the structure of Chapter Three as it engages with the enablers to an effective implementation of a PPP procurement process.

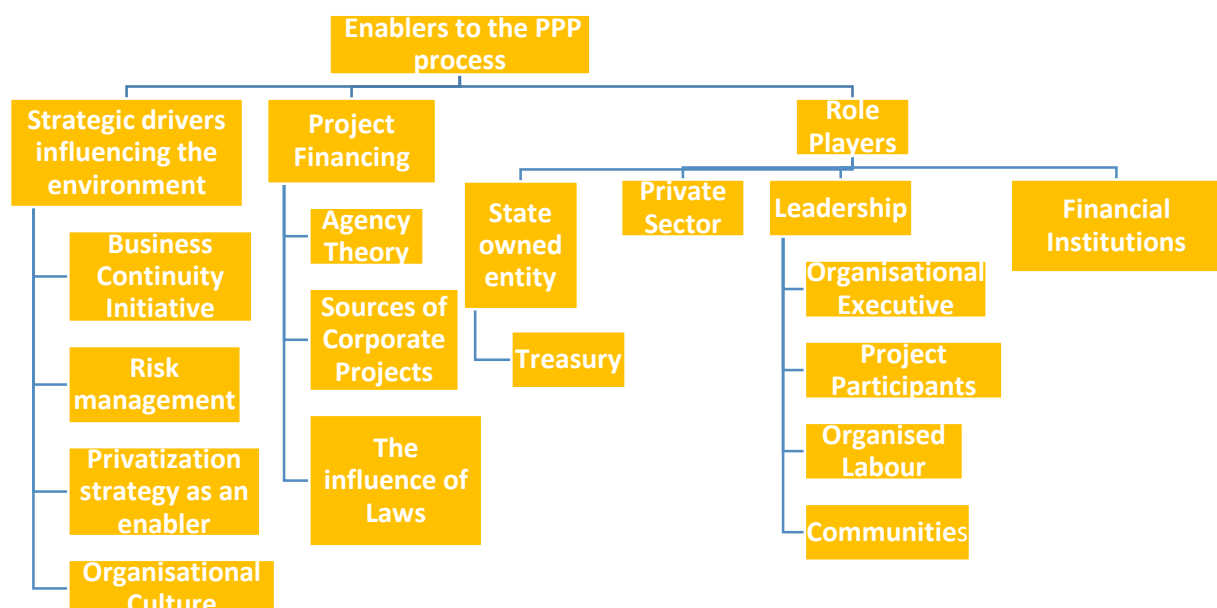


Figure 3: Enablers to an effective implementation of a PPP procurement process

Source: Researcher's Own Construction

In presenting and analysing the theory related to enablers of PPP and procurement, the researcher focused on the strategic drivers influencing the PPP environment, funding initiatives and role players. In relation to strategic drivers influencing the environment, Hague, et al. (2011) argues that organisations are continuously developing new programs to solve service delivery challenges. Here, the influence of business continuity as a strategy for most progressive organisations is therefore discussed. Furthermore, risk management is addressed as a key element that is managed in a procurement process while the influence of organisational culture change is also considered as an enabler of the environment in which PPP procurement process takes place.

The next focus area of Chapter Three is that of funding initiatives (See Figure 3). Agency theory as a foundational theory to project financing, is presented as the underlying rationale for government to embark on PPP procurement processes. The discussion of funding initiatives exposes how the shortage of corporate funds has become a key factor within PPP procurement. The three sources of corporate funding, that are own funds, government grants and loans are therefore discussed. The last section of Chapter Three provides a conceptual reflection on role players. This discussion presents an analysis of the role players and actors in procurement and highlights their influence on the procurement process. The role players and actors include state-owned enterprises, the private sector, and the national and provincial treasury in South Africa, project team members, community leaders and financial institutions.

Chapter Four builds on the more conceptually-based discussions of Chapter Two and Chapter Three to focus on the current practice in the tourism PPP procurement process. As evident in Figure 4 on the next page, this chapter analyses the PPP guidelines for tourism projects as provided and regulated by the South African National Treasury. The South African tourism PPP guidelines are compared with those provided to the municipality by the Treasury. This discussion further describes the current practice guided by policies, legislation and the currently strategic direction, with its influence on public and private sectors.

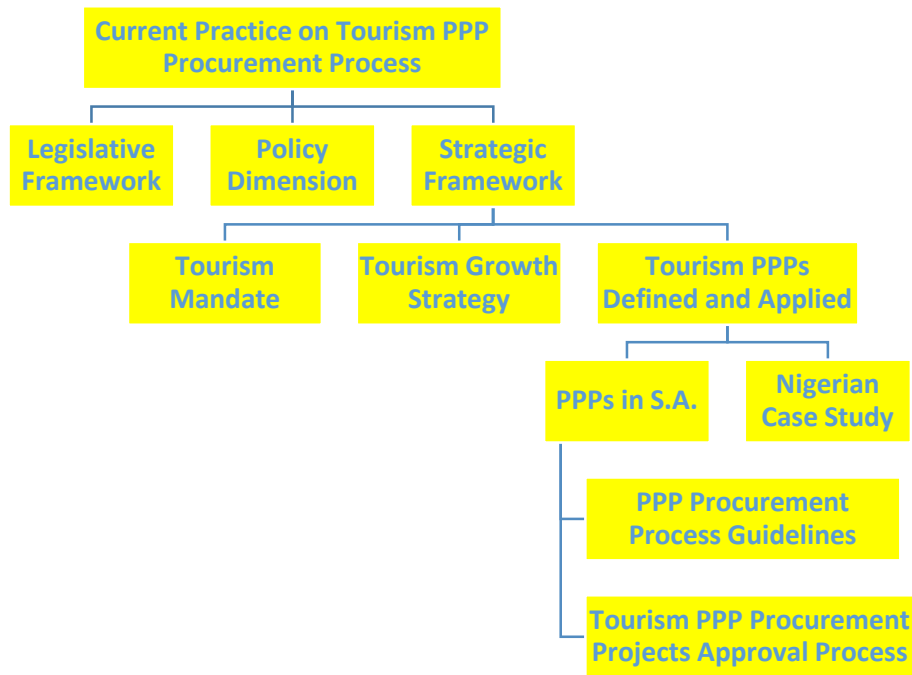


Figure 4: Current Practice on Tourism PPP Procurement Process

Source: Researcher's Own Construction

Chapter Four includes a presentation of the legislative framework that guides the strategic framework and the policy dimensions of the PPP procurement in South Africa. Views from the Domestic Tourism Growth Strategy by the National Tourism Department (2011) have also been covered to highlight the broad spectrum of disciplines considered when developing the PPP process. The influence of the Public Finance Management Act 19 of 1999 as amended by Act 29 of 1999 is addressed (S.A. National Department of Tourism, 2004). Finally, the chapter presents the South African tourism PPP procurement project approval process. The PPP procurement process guidelines and the tourism PPP procurement project approval process are covered. Following this outline and theoretical basis for the study, the next section begins to engage with the literature by providing a detailed critique of partnerships and procurement as the two concepts underpinning this study.

2.3 Contextualizing and Conceptualizing Partnerships

The public private partnership procurement process in question centres around partnerships, hence the review of the literature on partnerships is critical. In providing an exposure to this concept, the theoretical review analysed various definitions of partnerships, critically analysed how various scholars address the question on why partnerships exist. This procurement process literature review further covered the different types of partnerships and partnership models, analysed the PPP theory and practice, compared different views on how partnerships are managed between public and private sectors, analysed the PPP project cases and causes for failure from a global perspective to a South African perspective, in general, and ended with a South African tourism perspective. Furthermore, the discussion involves an analysis of the challenges to effective partnerships, mitigating factors to risks on partnerships and benefits of partnerships to various role players within partnerships.

2.3.1 Partnerships defined

As a start, partnership definitions are presented, compared and similarities and differences are highlighted. This analysis focuses on eight definitions provided by Tayeb (2001), Cohen and Roussel (2005), Kreps (2004), Henry and Mayle (2003), Thompson Jr. and Strickland III (2003) and Thompson, Strickland and Gamble (2008), Johnstone, Ackers & Wilkinson (2016), Robinson, et al. (2010), (2011), Reeves (2011), Sanisammal *et al.* (2016), Torvinen and Ulkinemi (2016) and Pride, et al. (2017).

Torvinen *et al.* (2016) and Pride, *et al.* (2017:109) state that “a partnership is generally defined as a collaborative effort and relationship between parties to achieve mutually agreed objectives”. As argued by Robinson *et al.* (2010), the term partnership may be used to describe an alliance formed to pursue a joint venture or may be applied to situations where an organisation chooses to outsource selected activities. Pride, et al. (2017) from an economic point of view argues that a partnership is a voluntary association of two or more persons agreeing to act as co-owners of a business for a profit. It is worth noting, therefore, that the emphasis is on collaboration to achieve mutually agreed objectives or pursue a joint venture. According to the Common Law, under common law legal systems, Mpulo (2009:70)

states that “a partnership is an arrangement where parties, known as partners, agree to cooperate to advance their mutual interests. Partners, in a partnership, may be individuals, businesses, interest-based organisations, schools, governments or combinations of organisations may partner together to increase the likelihood of each achieving their mission and to amplify their reach.” Caldwell, Roehrich, and Davies, (2009) argue that in an alliance, governments may partner to achieve their national interests, sometimes against allied governments holding different interests as was the case during World War II and the Cold War. Caldwell, Roehrich, and Davies, (2009) further assert that in education, accrediting agencies increasingly evaluate schools by the level and quality of their partnerships with other schools and a variety of other entities across societal sectors.

Partnerships present the involved parties with special challenges that must be navigated to culminate to an agreement. Overarching goals, levels of give-and-take, areas of responsibility, lines of authority and succession, how success is evaluated and distributed, and often a variety of other factors must all be negotiated (Caldwell *et al.* 2009). Reeves, (2013) asserts that once agreement is reached, partnership is typically enforceable by civil law, especially if well documented. It is common for information on formally partnered entities to be made public, such as through a press release, a newspaper advertisement, or public records laws. Sinisammal *et al.* (2016) further state that while partnerships stand to amplify mutual interests and success, some are considered ethically problematic. A conflict of interest results when a politician, for example, partners with a corporation to advance the latter's interest in exchange for some benefit. As a consequence of this, the public good may suffer. While technically legal in some jurisdictions, “such a practice is broadly viewed in a negative light or as seen as corruption” (Reeves: 2013:37).

According to Johnstone *et al.* (2016) government recognized partnerships may enjoy special benefits in tax policies. However, Handerson (2011) argues that among developed countries, for example, business partnerships are often favoured over corporations in taxation policy since dividend taxes only occur on profits before they are distributed to the partners. Depending on the partnership structure and the jurisdiction in which it operates, owners of a partnership may be exposed to greater personal liability than they would as shareholders of a corporation. In such countries, partnerships are often regulated via anti-trust laws to inhibit

monopolistic practices and thus, foster free market competition. Enforcement of the laws, however, varies considerably. It is noted, therefore, that domestic partnerships recognized by governments typically enjoy tax benefits, as well.

Farazmand (2001) and Johnstone *et al.* (2016) define partnership as an ongoing relationship between two organisations which involve a commitment over an extended period of time and a mutual sharing of risks and rewards of the relationship. Furthermore, Farazmand (2001) and Robinson (2010), agree that partnership involves two or more organisations with a commitment to a common objective. Robinson *et al.* (2010) consider the collaboration as a joint venture or outsourcing selected activities as the centre of attraction to parties that share the same view when two parties come together. Farazmand (2001), however, emphasises the central point of risk and reward sharing and the commitment tends to be for the long term rather than a short term contractual style commitment. As argued by Cohen and Roussel (2005:61) “collaboration is not about shifting costs from one partner to another, but is rather about setting up the chain to lower overall costs and then sharing the savings or profits.”

Cheng (2011) views a partnership as joining forces and resources for a specific or indefinite period to achieve common objectives. This definition reflects the traditional view of partnerships based upon creating value for participant firms. Lei and Slocum (2001:130) define partnerships “as co-alignments between two or more parties. In this partnership, partners hope to learn and acquire from each other the technologies, products, skills and knowledge that are otherwise available to the competition.” Obicci (2017) agrees on the view that partnerships entail two parties coming together to join forces to strengthen their competitiveness. Notably, Lei and Slocum (2001) extend the argument on partnership to highlight the issue of skills transfer brought by the partnership. Webster (2015) construes partnership as a coalition between two or more parties, either formal or informal, that share compatible goals, acknowledge a high level of mutual inter dependence, are involved in a partial or contractual ownership, and formed for strategic reasons. Kreps (2004) analysed partnerships by tracing the background with special emphasis on minimizing costs, centralised control, governance and the control of assets. Kreps (2004) draws insight from the Ford Motor Company case to analyse the reasons for forming a partnership.

In reference to the early years of the automobile industry in the 1920's in the United States, it was noticeable that the major manufacturer engaged in massive vertical integration to minimize costs and centralise controls. Kreps (2004) and Jenkins, et al. (2017) refer to this practice as unified governance. At one point, within this practice, the Ford Motor Company produced its own steel, made its own glass and manufactured its own tyres. The intention to engage at such extreme vertical integration was precisely to economize on the transaction costs, rather than to deal at arms' length with an auto glass manufacturer or tyre fabricator and by so doing, risking perceived holdups and disruption to a smooth production line. The decision was taken to centralize decision-making authority. This is referred to as unified governance within the partnership relationship. In general, this term refers to the situation where one party takes ownership of the physical assets and such intangible assets as patent, design, and so forth. This happens when ownership agrees with the authority to use the assets as the owner wishes and in the face of contingencies as it arises.

Kreps (2004) also argues that the development of partnerships is based on trust. One party may be trustworthy because their self-interest is aligned with the interest of the other party. Furthermore, it may be trustworthy not only because it obeys norms of behaviour that lead to equity; arguably, it may be trustworthy because it has, through one means or another, internalized the welfare of the other party, and because it needs the continued cooperation of the other party. The other source of trust may be a concern for their reputation in general. It can further be argued that trust may be influenced by incentives that cause a relative alignment of interest. To enhance trust for people to be in partnership, whilst everything else is held equal, it is prudent to place decision-making authority in the hands of the party whose information and judgement is superior as this requires that a party lacking decision making authority trust that the decision maker will not abuse that authority. This critical element of a meaningful collaboration highlights the importance of sourcing the right partner.

Torvinen & Ulkuniemi (2016) address the objectives and challenges of sourcing a partner by finding recourse to the key characteristics of Japanese-style partnerships. Hayfort (2006) and Bailey, *et al.* (2008), all argue that partnership sourcing is a commitment by both customers and suppliers, regardless of size, to a long-term relationship based on clear mutually agreed objectives to strive to a world-class capability and competitiveness. The key objectives of partnership sourcing are meant to minimize total costs, maximize product or service

development and obtain a competitive advantage, (Henry & Mayle, 2003). The key characteristics of the Japanese style of partnership are long-term relationship and commitments with frequent planned communication which reduces transaction costs and eliminates intercompany inefficiencies, Cheung, (2011) and Torvinen & Ulkuniemi (2016). Secondly, as argued by Langenhoven, (2006), partnership involves mutual assistance and a focus on total cost and quality, working together to minimize total value chain costs (not just unit costs). Thirdly, this entails the willingness to make significant customized investments in plant, equipment and personnel as well as share valuable technical information. Fourthly, there must be an unswerving commitment to the intensive and regular sharing of technical and cost information to improve performance and set prices which share equally the rewards of the relationship (Freeman & Freeman, 2015).

Perry and Morgan (2011) define partnerships as an alliance, joint venture or collaboration. It is observed by Thompson *et al.* (2015) that alliances, joint ventures, collaborative agreements or any part of a partnership have pitfalls and that achieving effective partnership between independent companies, each with different motives and perhaps conflicting objectives, is not easy. In light of this, partnering requires many meetings of many people working in good faith or guided by very clear principles of partnerships. As argued by Perry and Morgan (2008), once agreed on the deliverables, partners often discover that they have deep differences of opinion on how to proceed with operations. Hence, in some cases, the challenge is how to get partners to make decisions fast enough to respond to rapidly advancing technological developments and the differing needs of partners. Notably, there can also be a clash of egos and company cultures. Another risk identified by Thompson, *et al.* (2008), is that of one partner becoming overly dependent on another partner for essential expertise and capabilities over a long term.

Given partnership challenges, Thompson *et al.* (2015:49), identify six factors that seem to assist the functioning of a partnership:

- “The first has to do with picking a good partner since a good partner shares the company’s vision about the purpose of the alliance and has the desired expertise and capabilities.

- Secondly, each of the partners must be sensitive to organisational cultural differences. This is necessary in view of the fact that unless the other partner is able to manage the differences in culture or business practices, productive working relationships are unlikely to emerge.
- Thirdly, it is important to recognize that the partnership must be equally beneficial to both partners. Many partnerships fail because one partner becomes greedy and selfish or takes advantage of the other and the resultant friction can quickly erode the value of any further collaboration.
- Fourthly, it is necessary to ensure that both parties live up to their commitment as it is imperative for both parties to deliver to their commitments for the partnership to produce the intended benefits. Systems like service level agreements that are used to manage performance must not be compromised.
- Fifthly, there must be structuring of the decision-making process so that actions can be taken swiftly when needed.
- Lastly, it is important to manage the learning process and then adjust the alliance agreement over time to fit new circumstances in today's ever-changing business environment."

Pride, et al. (2017) in agreement with Thompson Jr. and Strickland III (2003) caution that few partnerships can succeed by holding onto initial or old plans. It is thus argued that one of the keys to the longevity and success of a partnership is learning to adapt to change and adjusting the terms and objectives of the partnership as may be needed and dictated to by the changing business environment.

Overall these discussions highlight the processes involved in having more than one party coming together with a common objective but with different strengths that complement each other. The challenge has always been related to how one screens those strengths as the risk of adding value lies predominantly with the choice of partner. Furthermore, according to Robinson (2010) a partnership involving the public and private sector should be carefully structured to avoid potential problems because of the different value systems driving each side. It is thus important to consider roles of partners and the structure and management of those partners.

Johnstone *et al.* (2016) argue that the parties stay as separate entities economically, although, they have a long-term relationship held together by aligned interests, goodwill, mutual threat, or one or the other or both parties' desire to maintain the reputation of being a good trading partner. Relational contracting can take the form of hierarchical governance where one party calls the shots for the relationship to adapt to contingencies. It can also take the form of various types of balanced bilateral governance where parties either share decision rights or have decision rights apportioned among them. The other form it can take is that of trilateral governance where independent neutral third parties are called on to adjudicate disputes or resolve dilemmas. Various types of partnerships are thus discussed, hence forth.

2.3.2 Types of partnerships

From the six factors that assist the functioning of partnerships, Kreps (2004), Reeves (2013) and Pride, et al. (2017) provide an overview of different types of partnerships. Some of these authors provide the similar types of partnerships and some provide unique types influenced by the environment. Waddell (2005:9) in his unique approach argues that "smart companies recognize that the most effective way to leverage change in our interdependent world is through common endeavour with others". Notably, the different authors have their research activities focusing on different aspects, for example, Gonzalo (2012) deals with outsourcing whilst Kreps (2004) focuses on unified governance, Thompson Jr. & Strickland III (2003) as well as Pride, et al. (2017) focus on analysing strategic alliances and public private partnerships.

In reference to outsourcing as one of the types of partnership engagements, Gonzalo (2012) asserts that outsourcing begins with an analysis of one company's existing supply chain skills and expertise. Ideally, it is important to identify the areas of expertise have the potential to become a strategic differentiator. These are activities that one could consider keeping in house and making even better. It is worth considering that outsourcing activities with low strategic importance can do better in providing services or products faster and more cheaply. The outsourcing practice allows companies to ramp up or down quickly, build new products, or reposition themselves in the market place. All these outsourcing strategies are done by

leveraging the expertise and capacity of other companies. This added flexibility and agility can make an enormous difference in today's competitive global market. Most importantly though, outsourcing allows companies to focus on their core competencies and enhance their competitive positioning. Cohen & Roussel (2005:81) argue that "most importantly though, outsourcing allows companies to focus on their core competencies and enhance their competitive positioning." Venter (2014) warns that before one moves forward though, the risks and strategic ramifications of one's outsourcing decisions must be considered. Secondly, care must be taken not to outsource if one's product or process technology is a source of differentiation. The next type is unified governance and relational contracting as presented by Kreps (2004).

Again, according to Thompson, *et al.* (2008), the biggest danger of outsourcing is that a company will farm out many or the wrong types of activities and hollow out its own capabilities. In such cases, a company stands a chance of losing touch with the technical skill of an activity that might be crucial for its operation and there is also the risk of losing control over an activity that might be crucial to its core business.

Kreps (2004) presents two types of partnerships that are characterised by unified governance and relational contracting. The unified governance type of partnership is the one where everything is controlled within one roof. It is a very safe type of partnership as there is no loss of control as everything is controlled within one horizontal structure. There is very limited transfer of risk on this type of partnership. Kreps (2004), shares some challenges that go with the unified governance. Chief amongst the challenges and costs are in the jargon, the loss of high-powered market incentives which are replaced by low-powered intra-organisational incentives. The lost opportunity here is that if company A, who supplies company B with certain expertise or a product or service is not performing, company A can take its business somewhere else. The threat for the company to perform is real. It is easier to change one's supplier than fire one's own management team. The alternative to unified governance partnership is relational contracting.

Like Thompson Jr. & Strickland III (2003) and Kreps (2004), Torvinen & Ulkiniemi (2016) also identify three types of partnerships. The three types are strategic alliance, joint venture and licensing. Torvinen & Ulkiniemi (2016) define strategic alliance as a formal, long term

agreement between two firms for the benefit of both. Strategic alliances are becoming more popular as more suppliers are working with distributors. According to Thompson & Martin (2005):

“Strategic alliances and public private partnerships have replaced joint ventures as the favoured mechanism for joining forces to pursue strategically important diversification opportunities because they can accommodate multiple partners and are more flexible and adaptable to rapidly changing technological and market conditions than a formal joint venture” (p.560).

Notably, strategic alliances and cooperative agreements of one kind or another are the favourites as they are potentially fruitful towards entering a market or strengthening a firm’s competitive advantage. Webster (2015) observes that the number of strategic alliances, joint ventures and other collaborative efforts has exploded in the recent years. These alliances have a strategic appeal for reasons which bear no relation to the quest to gain wider access to the markets. Waddell (2005) views partnerships within a new governance structure that places an emphasis on society and change.

According to Thompson Jr. & Strickland III (2003), joint ventures typically entail forming a new corporate entity owned by the partners, whereas a strategic partnership represents a collaborative arrangement that can usually be terminated whenever any one of the partners so chooses. Cheng (2011) and Johnstone *et al.* (2016) define strategic alliances as a means of rationalizing business operations and improving the overall competitive position of a company. Johnstone *et al.* (2016) further argues that to a significant extent, parties have difficulties in distinguishing strategic alliances from other forms of organisational relationships. Strategic partnerships provide more flexibility than a joint venture. Morosini & Steger (2004) further define a joint venture as a business that is owned by two or more people. In this business arrangement, although the subsidiary is a separate company, it is owned simultaneously by two or more companies. As such, it is a partnership among companies for achieving mutual success in a particular market or industry sector especially, with the purpose of undertaking projects they could not handle alone. Wheelen, et al. (2004) bring an interesting view that the existence of joint ventures is to be linked to the government of a country that insists on either a private or public joint arrangement before it allows the foreign company to enter its market.

According to Thompson Jr. & Strickland III (2003:70) “most joint ventures have involved two partners. Historically, these were normally formed to pursue opportunities that were somewhat peripheral to the strategic interest of the partners.” A joint venture can be a useful way to gain access to a new business in at least three types of situations (Thompson, *et al.*, 2008). First, a joint venture is a good way of pursuing an opportunity that is very complex, uneconomical or risky for a single organisation to pursue alone. Secondly, joint ventures make sense when the opportunities in the new industry require a broader range of competencies and know-how more than any organisation may have. Thirdly, joint ventures are sometimes the only way to enter a desirable foreign market when entry is restricted by government, and companies must secure a local partner to gain entry. According to Thompson Jr. & Strickland III, (2003), the third type is the unbundling or outsourcing. The forth is the public private partnership.

Blakely & Leigh (2010), claim that over the past decade, some companies have found vertical integration to be so competitively burdensome that they have had to adopt a vertical de-integration, or unbundling strategy. Blakely & Leigh (2010), further argue that a number of single business enterprises have found it useful to focus more narrowly on certain value chain activities and rely on outsiders to perform the remaining value chain activities. These companies then begun outsourcing activities formerly performed in-house and concentrated their energies on a narrow portion of the value chain. According to Blakely & Leigh (2010), outsourcing involves withdrawing from certain stages/activities in the value chain system and relies on outside vendors to supply the needed product or service or functional activity. S.A. National Department of Tourism (2013) states that outsourcing makes good strategic sense in a number of instances. An activity can be performed better or cheaply by an outside specialist; the activity is not crucial to the firm’s ability to achieve sustainable competitive advantage and will not hollow out its core competencies.

Outsourcing reduces the company’s risk exposure to changing technology and the buyers’ preference (Thompson *et al.* 2008). In this light, it streamlines the company’s operations in ways that improve organisational flexibility; cut cycle time, speed decision making and reduces coordination costs, (S.A. National Department of Tourism, 2013). Additionally, it allows a company to concentrate on its core business and do what it does best, and add that

outsourcing may be considered as enhancing efficiency whilst at the same time reducing the costs (Thompson, *et al.* 2008). There are some strategic advantages attached to outsourcing.

Fry, *et al.* (2001), in their analysis, identify the third type of partnership as licensing. In this relationship, a domestic company permits a foreign company to manufacture and sell its unique product. The domestic firm provides production related specifications and techniques to the foreign company which then sells the product abroad. This provides quick access and a friendly knowledgeable ally as a partner. Possible benefits to a partnership within the public sector are the management burden is reduced; there is increased cost-effectiveness, government reduces their risk, there is better service delivery, an improved image and additional income. Possible benefits to the private sector are new jobs are created, an increased revenue, an improved image for the community, increased skills, satisfying a need of the community and possible savings on infrastructure costs. Possible benefits to the client are the provision of a more efficient and effective service, availability of the service to all, increased awareness, increased accessibility and increased choice (Cheng, 2011).

The fourth type of partnership is the public private partnership. The following is an explanation of how various authors consider public private partnerships. Johnstone (2016) argues that the historical aspect of this relationship is that fifteen (15) years ago, the practice was that where the government carried the risk and the private sector made profits. The essential aspect of this practice was that it was contrary to the theory of partnerships. Blakely and Leigh (2010) are of the view that the term public private partnership has permanently entered the lexicon of local government. Questions asked in this regard are, what is a public-private partnership and why is it important to consider it as a component of economic development? Public private partnerships are not a new phenomenon. They are the legacy of more than 50 years of federal urban policies. In 1938, the federal government embarked on a set of housing assistance programs aimed at creating a secondary market for home mortgages. This program created a partnership between the public sector and the private market to produce housing in the urban areas. The cities benefited from this partnership. It was so effective that in the 1960s and the 1970s this concept was extended to rebuilding the inner cities through the Model Cities Program which was the most powerful stimulus for downtown restoration ever devised. This program established the framework for local partnerships between government and local private sectors. Today, the notion of a

partnership relationship between the public and the private sector organisations seems to be quite well established.

Robinson (2010) argues that although the concept of public private partnership (PPP) has been in existence in other parts of the world such as in Europe and the United States, there are numerous reasons accounting for the re-emergence of Public Private Partnership projects. The first reason is that there is a central economic and efficiency argument focusing on the value of money and improving public service in health, education, transport, and other sectors in the United Kingdom, (Akintoye & Beck, 2008). Akintoye & Beck (2008), further argue that the public expenditure level, available for infrastructure investments due to the constraints in the public sector borrowing requirements, are limited. This is a result of the Treasury and EU regulations, (Robinson, 2010). The fundamental belief was that “the macroeconomic circumstances of the United Kingdom necessitate tight control over public spending to restrain inflation” (Perry & Morgan, 2011:40). The key driving factor is, therefore, to facilitate infrastructure investment without imposing a heavy burden on public expenditure. This would be done through the use of the private sector as it is able to achieve greater efficiency and value for money in service delivery due to innovation towards reducing the whole life costs, risk management and the level of competition (Robinson, 2010). Robinson (2010) however, observes that the Treasury argued that the objective of private finance initiatives is to provide high-quality services that represent value for money for the tax payer and that the key determinant of whether a project should go ahead is not the accounting treatment. A PPP therefore, as argued by Lawther & Martin (2005:224), “reduces significant capital expenditure requirements in designing, building and owning capital assets.”

Similarly, Pride, et al. (2017) observe that it is increasingly argued that PFI can provide a valuable platform to improve the sustainability of buildings due to its service-focused and whole life approach. This approach is likely to result in the production of more efficient design solution and functional buildings to minimise the operational costs associated with the maintenance and energy usage. Nealle & McElroy (2004) argue that there is a political motivation to urgently improve the level of public service such as the reduction of the waiting lists in hospitals, tackling crime through urban regeneration and housing and improving conditions in schools and the transport systems. Notably, the direction of votes is strongly influenced by the delivery of infrastructure projects and the satisfaction with the public services’ levels of service

delivery. The initial expenditure requirements, under the Public Private Partnership, are considerably lower. Hence, as stated by Robinson (2010) that infrastructure projects such as roads, housing, schools and hospitals which cannot be funded using traditional procurement could go ahead. The public sector would, therefore, be able to undertake more projects with greater impact on public services which would otherwise have to wait longer to be implemented.

Robinson (2010) argues that, often there is some tension between the private sector' motive of profit maximization and the public sector' objectives of delivering an acceptable level of service for public goods in a manner that represents value for money.

2.3.3 Partnership models

Smart companies are recognizing that the most effective way to leverage change in our interdependent world is through common endeavour with others. Waddell (2005) argues that, this innovation reconstructs our world by creating an intricate network or web which ties together diverse organisations into a new governance structure that is generating innovation and producing societal learning and change. This partnership that generates innovation and societal learning and change is referred to as societal learning and change (Waddell, 2005). Waddell (2005), further argues that this partnership type of societal learning is a relatively new concept, although its roots are old. Examples of where this societal learning and change takes place are provided as follows by Waddell (2005:11):

- a) *"The World Resources Institute and other civil society organizations around the world join together in the Access Initiative to work together with governments to give life to a widely ratified United Nations accord that makes participation a primary ingredient in environmental decision-making.*
- b) *In Pittsburgh in the United States a bank and local community organizations, with supportive government legislation, find ways to provide loans on a scale that transforms a community's opportunities and yet makes market-rate returns.*
- c) *After years of pitched battles, major forest companies, environmentalists, small communities and indigenous peoples on the Pacific Coast of Canada create the joint Solutions Project to develop their future together."*

Handerson (2011) asserts that companies and civil society organizations around the world join together in the Global Reporting Initiative to develop and apply an economic societal-environmental reporting framework. Societal Learning and Change, according to Madhanpall (2008), is about changing relationships in profound ways and producing innovation to address chronic problems and develop new opportunities. The realignment involves changing relationships between the core systems of society, economic, political and social represented respectively by business, government and civil society. By working together in this partnership, each participating organization achieves its own goals by changing its relationship with others to co-ordinate their actions and create synergies.

Thompson Jr. and Strickland III (2003) cite three reasons which account for why the concept of societal learning and change is a critical factor in the forging of partnership relations which are mutually beneficial to those constituting them. The first reason cited is: “capture economies of scale – the cost reduction can be the difference that allows a company to be cost competitive” Thompson, Strickland and Gamble (2008: 35). Through a partnership of some kind, they could realise savings that they would not have realised if operating on their own. Secondly, partnerships or strategic alliances can assist in filling gaps in technical expertise and/or knowledge (Thompson, et al., 2008). Partners learn a lot from each other as they bring a specialist as a partner. Thirdly, partnerships can be a channel of strategically transferring or sharing the risk.

2.3.3.1 Merger and acquisition

Stonehouse *et al.* (2000) argue that the 1990s saw a dramatic increase in the numbers of business mergers and acquisitions.” It is notable that, at the same time as this boom in merger and acquisitions, there was a similar increase in the number of strategic alliance and collaborative business networks involving international organisations (Sirower, 2000). Stonehouse, *et al.* (2000) provide two opposing perspectives underlying mergers and collaboration. These are the portfolio perspective and the core competence perspective. “The portfolio perspective stresses that the major benefit of integration are [sic] the leveraging of financial resources, entry to new businesses and markets and the spreading of risks” (Sirower, 2000: 32). There is, therefore, an emphasis on devolving responsibility for each of the strategic business units which comprises of the corporation so as to increase their

ability to respond flexibly to changes in the environment (Sirower, 2000). The second is the core competence perspective which is based on the view that mergers, acquisitions and alliances improve performance by creating a synergy between the businesses involved (Sirower, 2000). Gomes, et al. (2011) argue that a successful merger or collaborative agreement must create greater value through synergy and co-ordination than the value lost through reduced responsiveness.

Stonehouse, *et al.* (2000) present their understanding of the relationship between merger, acquisition and integration. In a merger, as argued by Stonehouse, *et al.* (2000:40) “two organisations agree to join together and pool their resources or assets in a new business entity.” Both of the previous entities ‘disappear’ into a new organisation. In practice, two partners in a merger are usually of comparable size and importantly enter willingly. Acquisition is the joining of unequal partners (Gomes, et al. 2011). A large organisation purchases all of what a small business has and assumes it into its structure. Acquisitions can be either agreed or hostile, depending upon the attitude of the smaller company. Offutt (2011) argues that integration can be understood as the collective term used for both of these financial growth mechanisms.

2.3.4 PPP Theory and practice

Mixing the economic activities of the public and private sectors has a long history and a number of PPP scholars have noted the wide span of alternative structural and institutional arrangements that have prevailed for centuries (Hodge, 2013). According to Siemiatycki (2011) public private partnerships have been spoken of since the 1940s and were historically associated with urban regeneration initiatives in the USA during the 1960s and 1970s. However, the most recent wave of global PPP activity has been in the realm of physical infrastructure, and the development of the private finance initiative (PFI) in the UK in the early 1990s. This was followed by a proliferation of similar policies on a global scale. This study focuses on PPP in the form of long-term infrastructure contracts which Mahalingam (2011) defines as:

“A long-term contract between a public sector institution and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a public infrastructure project.” (p. 276).

2.3.4.1 Views on how partnerships are managed between the public and the private sector

Sinisammal *et al.* (2016) argue that new service delivery philosophies have been introduced to improve public sector service quality and efficiency in service delivery. The tools adopted to reach these goals have varied from complete outsourcing and privatisation to new management models introducing private sector management tools such as more advanced cost accounting and performance measurement. New Public Management, PPPs, Value-for-Money and other key concepts rely on the assumptions that private sector involvement and their management style can improve the performance and quality of the public service delivery system in general.

According to Henderson (2011), relying on outside specialists to perform certain value chain activities offers a number of strategic advantages by providing higher quality and/or cheaper components or services that internal sources can provide. This improves a company's ability to innovate by interacting and allying with the 'best-in-world' suppliers who have considerable intellectual depth and innovative capabilities of their own. This helps enhance the firm's strategic flexibility should customer needs and market conditions suddenly shift. As a result, there is an increase in the firm's ability to assemble diverse kinds of expertise speedily and efficiently, and thus allow the firm to concentrate on performing those activities internally that it can perform better than outsiders and/or that it needs to have directly under its own strategic control.

A cornerstone for the relationship between the public and private sectors is how the partnership process between them is managed. Different views from different analysts on partnerships help in shaping the expectations of the different role players in partnerships. This section provides the historical aspects of partnerships, the business challenges within partnerships and the exposure of the partnership concept. Farazmand (2004), Thompson & Martin (2005), Goldin & Reinert (2006), Robinson (2010), Cheng, *et al.* (2011), Reeves (2011) and Sinisammal (2016) have shared their views on partnerships and how partnerships influence the relationship between the public and the private sectors. The notion of a

partnership relationship between public and private sector organisations seems to be quite well established. Farazmand (2001) argues that the historical aspect of this relationship is that fifteen (15) years ago, the practice was that where the government carried the risk, the private sector made profits. The essential aspect of this practice was that it was contrary to the theory of partnerships. Business and government work together through numerous integrated partnerships for economic and even for the social good of the society. However, according to Thompson & Martin (2005) the adoption of so-called economic rationalist policies by many governments over the last two decades has led, conceptually, to a move away from direct government involvement in business activities even though the state continues to play a role in the economy and economic development activities.

A partnership or an alliance approach, theoretically speaking, enables organisations to move away from the often adversarial relations they have with the parties with which they are contracted. Goldin and Reinert (2006) argue that recent years have seen greater recognition in the policy debate of the complementarities between the private sector and the public sector. Goldin and Reinert (2006) further argue that clearly, experience shows not only that the private sector's economy must be the engine for growth but it also shows that a vibrant private sector depends on the well-functioning state institutions to build a good investment climate and deliver basic services competently. Indeed, in many crucial areas like health, education and infrastructure, public private partnership is essential.

Robinson (2010) argues that partnerships are characterised by certain fundamental features. The first of these features is that a partnership involves two or more actors or organisations from the public and private sectors. This paired relationship could also include the third sector, the so-called non-profit organisations. Sometimes a partnership can be characterised by different types of private sector organisations complementing each other's role and interacting with different agencies in the public sector, such as central and local governments and their varying departments, resulting in complex relationships. Based on this argument by Robinson (2010), partnerships thus, require some competitive element to select the best partner(s) and it requires a certain level of cooperation after selection. The third feature of a partnership, as argued by Robinson (2010) is the existence of what is often referred to as an enduring and stable relationship among the actors. The fourth element concerns itself with the fulfilment of their obligation as there are responsibilities of commonality defined within the agreement and the expertise required to achieve the project outcomes through specific delivery processes and activities (Robinson,

2010). Notably, these views from the different writers on partnerships highlight the fact that different parties come together for a common purpose. It is also notable that the opportunities that are provided by partnership principles which help forge relationships between the two sectors, that is, public sector and private sector. They also provide the opportunity for identifying the expertise that benefits the partnership. It is notable, though, that with all the benefits identified within the partnership, there are also risks that go with it.

Cheng (2011) views a partnership as joining forces and resources for a specific or indefinite period to achieve common objectives. This definition reflects the traditional view of partnerships as being based upon creating value for participating firms. Mpulo (2009:75) defines partnerships as “co-alignments between two or more firms in which partners hope to learn and acquire from each other the technologies, products, skills and knowledge that are otherwise available to the competition.” This is more in consideration of a competitive aspect of a relationship. Tayeb (2001) and Reeves (2011) conceive a partnership as a coalition between two or more parties, either formal or informal, that share compatible goals and acknowledge a high level of mutual inter dependence and involved in partial or contractual ownership and which are formed for strategic reasons. All these definitions highlight the issue of having more than one partner, coming together with a common objective but with different strengths that complement each other.

2.3.5 The critique of PPP projects

From their outset over a quarter of a century ago, the motivations and merits of PPPs have been the subject of intense debate. Proponents, argue that PPPs provide cash-strapped governments with access to a ready pool of private capital to deliver critical public infrastructure, and that PPPs produce additional value for money by spurring efficiencies and transferring project risks from the public to the private sector partners. Conversely, critics contend that project outcomes have often not met expectations and that private borrowing costs are higher than for governments (Thompson & William, 2015). Most directly, critics also argue that, “despite their name, there is little within most PPPs that resembles a truly collaborative partnership” (Yascombe, 2007:72). Rather, PPPs are seen to be more akin to

contracting out where there is only minimal interdependence between the partners outside of a contractual relationship.

Cheung *et al.* (2011:92) assert that “the study on the attractive and negative factors of adopting the PPP method to deliver on projects pointed out that the critical factors arose from multiple sources.” For example, PPP project arrangements were complex and involved copious stakeholders with conflicting objectives and interests. These arrangements led to extensive negotiation. Other sources included socio-economic, political, legal as well as institutional frameworks. These critical factors were risks, which once properly identified, analysed, understood, and evaluated by all parties, were allocated to the party best able to manage these risks. Risks allocated beyond the capacity of the parties brought about project failure (Cheung, *et al.* 2011).

Roberts & Siemiatycki (2015:42) argue that “given this last critique that PPPs, as presently practiced, are simply a complex contracting-out scheme, it might be tempting to dismiss the possibility that PPPs can foster genuine, collaborative partnerships to procure public infrastructure. However, such a dismissal is unlikely to provide enough inertia to slow the global rise of PPPs. In countries as diverse as the United Kingdom, the United States, Australia, Canada, India, and the Philippines, to name but a few, PPPs have been institutionalized as the project delivery model of choice through the implementation of supportive legislation and special-purpose government PPP procurement agencies. At their core, PPPs are defined by a simple premise. Jooste, et al. (2012) describes PPP’s as working arrangements based on a mutual commitment, over and above that implied in any contract, between public sector organisations with any organisation outside of the public sector. The inclusion of the word ‘partnership’ within the term ‘public–private partnerships’ implies that such arrangements to design, build, finance, and/or manage public services and goods are based on a notion of cooperation and collective decision making and the shared assumption of risks between the public and private sector partners.

Hodge & Greve (2009:62) argue that “public-private partnerships (PPPs) now have iconic status around the world. However, commentaries on partnerships nowadays tend to be polarised and limited to either advocacy or criticism. Advocates include consultants,

merchant bankers, legal firms and construction companies. This is unsurprising given that each of these interest groups gains a slice of PPP transactions.” Amongst the most ardent advocates have been governments, through ministers and their compliant treasury and finance departments. On the other hand, critics have appeared across a range of disciplines and across traditional ideological boundaries. There is now an obvious need to carefully review the international experience with PPPs and determine the degree to which they are working effectively in meeting the public interest.

2.3.5.1 Causes for PPP project failures

Both public and private sectors are responsible for these projects’ failure and it has been argued that “Government’s defective PPP policies and strategies led to poor procurement incentives and lack of coordination among government agencies” (Sanghi *et al.* 2007:102). Inexperienced, poorly organized and less-committed public agencies, including corruption, resulted in inefficient PPP project implementation. Meanwhile, the private sector, due to its lack of experience and expertise to handle the legal, technical, financial, and managerial issues during project execution, suffers project suspension and potential losses when using PPP project implementation (Sanni, 2016).

Uncontrollable factors are a further reason for PPP project failure. Changes in law (Zhang, 2005b) resulted in unexpected requirements. Political patronage led to an unnecessary project cost and when political instability and coalition politics interfered with partnership processes this could often lead to changes in PPP policy and plans” (Taylor & Frances, 2015). Interest rate volatility and inflation rate fluctuation had an impact on project costs. These intervening factors needed monitoring to prevent their negative impact. Although the reasons for the project’s failure were project-based factors, they can be applied to project control programs. A project control program, as an effective project governance mechanism, provides a bridge between projects and organisational strategy. It is embedded in and aligned to the evolving needs of the organisation and shelters the projects from an externally turbulent and uncertain environment. A standard approach was therefore adopted. A project procurement method, bidding documents, project approval procedures, decision-making framework, cost (\$/unit) and so on were standardized. Most project-based factors, particularly in terms of process, management and organisation, were program based. Some

project-specific factors such as project teams and geotechnical conditions could be also applied to the program because the project teams were selected through a standardized recruitment framework. The project teams' qualifications were evaluated to further overcome such conditions. Besides, the external factors such as political and socio-economic conditions, and the legal and institutional framework being country-specific automatically affected the program.

Gonzalo, (2016:1) argues that "public-private partnership (PPP) contracts have been extensively used in developing countries as a tool for promoting and attracting private investment to network industries." PPP contracts typically define the rights and obligations regarding the design, build, operation and maintenance of infrastructures and the mechanisms for their supervision, however, they may also include provisions about tariffs, access and interconnection rights or levels of service as conditions that are conceptually considered as economic regulation. Research, according to Stanley (2010), has emphasized that the use of such contracts in the developing world, has mitigated the risks associated with the administrative intervention of governments on private investments. This is important in the analysis of these risks to distinguish between economic regulations from other types of contractual obligations.

Stonehouse, *et al.* (2000:27) explicates six reasons that lead to the failure of integration. They are:

- "Lack of research into the internal and external environment of the target company,
- Cultural incompatibility between the acquirer and the target company,
- Lack of communication,
- Loss of key personnel after integration,
- Paying too much for the acquired company and thus over exposing the acquiring company and assuming that the growth of the target company's market will continue indefinitely,
- A sixth reason for the failure of integration which is outside the control of both companies, are changes with the legislative framework which prevents integration."

These failures of integration have implications for the combined efforts of business and other actor organisations as they attempt to work together in partnership formats.

2.3.5.2 Global experience on PPPs with reference to Ireland, USA, Australia and the United Kingdom

It is now over 12 years since programmes of public–private partnerships (PPP) were introduced in Ireland. Since 1999, the PPP model of procurement has been either nominated or adopted for the purpose of delivering physical infrastructure and related public services in a range of economic sectors. As a consequence, the reach of the private sector in terms of its input into public service delivery has been greatly extended. This is particularly true in areas such as water services, schools, roads and waste management, which have traditionally been the preserve of the public sector. Compared to other countries where the PPP model is relatively well developed for example, the UK and Australia, the Irish PPP experience has received limited attention in academic literature.

Robinson (2010) asserts that there are various definitions of the term public private partnerships (PPP). It is firstly, a generic term for any type of partnership involving the public and the private sector to provide services. This is where the private sector performs some part of service delivery responsibilities for the public sector. Generally, this is a contractual arrangement. In performing these functions, the private sector, assumes the associated risk in return for payment, (Wahba & Stanley, 2011). The World Bank (2007) defines PPP broadly as “an agreement between a government and a private firm under which the private firm delivers an asset, a service, or both, in return for payments contingent to some extent on long term quality or other characteristics of outputs delivered,” (Wahba & Stanley, 2011: 93). According to HM Treasury (2000:10), “public private partnership is an arrangement that brings the public and the private sectors together in long term partnership for mutual benefits.” However, Robinson (2010) argues that regardless of the definitions, the objective is to utilize the strengths of the different parties to improve public service delivery and should always be underpinned by clear principles and contractual commitment reflecting a balance between profit and the need for regulation to ensure value for money in the use of public resources.

Robinson (2010: 25), in their argument continue in stating that, “under the Public Private Partnership approach, the public sector’s expertise is complemented by the strength of the private sector.” These strengths are:

“Technical knowledge, greater awareness of commercial and performance management principles, the ability to mobilize additional investment, innovation, better risk management practices and knowledge of operating good business models with a high level of efficiency” (Wahba & Stanley, 2011: 94).

Blakely and Leigh (2010) argue that in the mid-1970s local officials began experimenting with a new set of relationships with the private sector to complete the projects launched a decade or more earlier under more generous federal support. The lessons learnt from this partnership were adapted in the 1980s when federal support was withdrawn at the height of local fiscal distress. City officials became deal makers by the late 1970s. These deals included the provision of essential infrastructure at little or no cost with a promise of a return on the city’s investment through soft loans or a portion of the profit from the project. In many instances, cities built public garages for private developers and leased back facilities to retailers. In essence, cities moved away from the traditional position of being the regulator to that of being the co-investor. Blakely and Leigh (2010) argue that this new role marked a change through-out the 1990s. With this experience over the years, Blakely and Leigh (2010:11) have summarized public private partnerships “as shared commitments to pursue common economic objectives jointly determined by public, private and community sectors and instituted as joint actions.” After the analysis of successful partnership efforts, Asaduzzaman (2008) has suggested the following guidelines: a positive civic culture that encourages citizen participation and is related to the long-term employment concern of the community.

The goals for the development process must be shared among the community members. Larken (1994) argues that there must be a realistic and commonly accepted vision of the community based on the area’s strengths and weaknesses as well as on a common conception of the area’s potential. This is the most important area for partnership formation and an effective civic organisation that can blend the self-interest of members with the broader interest of the community. According to Larkin (1994)

“There must also be the ability and desire to nurture civic entrepreneurship, that is, to encourage the risk takers and build their confidence and continuity of policy including the

ability to adapt to changing circumstances and reduce uncertainty for business and individuals who want to take economic risks” (p. 30).

These guidelines formed the basis for any organisational structure that the community decided to adopt. According to Blakely and Leigh (2010) public private partnerships are essentially bridges of trust based on similar objectives albeit mindful of differences in roles. Blakely and Leigh (2010) claim that the U.S. experience in local economic development, whether in government or in the neighbourhood, provides the correct balance by combining the resources of the public sector and private sector in just the correct balance to attain objectives which could not be attained individually”.

Blakely and Leigh (2010) further argue that public private partnerships are a long, difficult, time consuming process. A public private partnership is a project that usually uses the assets of the public sector, for example, a building, air rights, or even a change in zoning-combined with certain tax benefits for public agencies, which ranges from credits to actual tax relief such as land or sales tax deductions. The private sector provides the design and development capacity along with cash or equity to finance the project. In some instances, the project is a parking structure used by the public for a fee combined with a movie theatre that might be incorporated into the base of the same building operated by a private firm. The profit or income is split between private and public parties in a variety of ways. In some cases, the financials require the private sector partner to pay a certain amount annually, while in other situations the public sector shares the risk. Blakely and Leigh (2010) emphasise that public private partnerships are complex and require special governance structures.

2.3.5.3 PPPs in South Africa

Hague *et al.* (2011) argue that

“Public Private Partnerships are typical in situations where a development project would be too risky for a private company to invest even though the public body wants to see the development happening, despite being too reluctant or unable to undertake the whole project itself” (p. 26).

In such situations, a partnership can create a win-win situation; the company gets its required profits and the public body gets the development it wants without having to pay for all of it from the public purse. Public-private partnerships are most likely to be satisfactory where there is an agreed development objective such as developing a difficult site. However, elected public authorities are always vulnerable and need to be reminded that economic

development is not the only priority and that developers are not the only individuals who set the priorities of the stakeholders. An area-based partnership can, therefore, involve the government, private sector and local residents. The South African treasury has also provided a definition of public private partnerships and how they see it operating within the South African context.

According to the Review of the S. A. Treasury PPP Manual (2005), a PPP is defined as a contract where a private party performs an institutional function and/or uses state property for commercial purposes. The private sector partner assumes substantial operational, technical and financial risks. In return, the private party receives benefits (service tariff or user fees or both) from the institution's budget or the public or both. However, the S. A. National Treasury PPP Manual (2002:21) version 2, states that "since government can normally borrow more cheaply, the gains from the private operator's efficiency must exceed the difference in the borrowing cost if a PPP project is considered". The real benefit of PPPs, therefore, is the value for money derived from the operational and strategic benefits mentioned above. These conditions are not however, inevitable, but are dependent on at least three conditions namely: an operational need for the private sector skill to deliver the service; secondly, an identifiable market of private sector bidders prepared to compete for the project; and thirdly, the appropriate allocation of risk. According to the S. A. National Treasury PPP Manual (2002:16) Version 2, "for PPPs to be approved by any relevant Treasury, they must demonstrate affordability, value for money and the transfer of appropriate financial, technical and operational risk to the private sector." For a full explication of this partnership, this review discusses the various types of public private partnership projects.

According to Robinson (2010):

"Public private partnership projects are implemented using different models. There are varying degrees of private sector composition and participation, resource allocation and risk-reward structure. The partnerships range from those dominated by the private sector to the extreme where the public sector plays a dominant role" (p. 23).

Robinson (2010) provides three types of PPPs as identified by the HM Treasury. These PPP project types as further argued by Robinson (2010) are based on investment and reward structure such as financially free-standing projects, joint ventures and services sold to the public sector. A financially free-standing PPP is where the private sector undertakes a project

on the basis that costs will be fully recovered through user charges. The private sector recovers the capital expenditure involved in planning, designing and constructing an asset as well as the operating expenditure for the operation and maintenance through a fee for using a toll bridge or road.

Projects that are structured within a joint venture arrangement are typically characterised by 'co-responsibility and co-ownership for the delivery of services.' The projects are managed by the private sector using their expertise, skills and finance.

According to Grant Thornton (2010), the public sector contributes towards achieving wider socioeconomic objectives such as providing access and affordable transport, housing and other public facilities. And, thirdly, the private sector on behalf of the public sector design, build, finance, and operates the project as a model. This involves an arrangement where services are provided by the private sector through unitary charges or payments, (Thornton, 2010).

Thornton (2010) identifies the following list of the spin-off benefits arising from the PPP projects, that is, infrastructure upgrades in the project area, skills development opportunities for communities, addressing poverty and unemployment, promotion and protection of heritage, maximize value of provincial assets, boost SMMEs, tourism transformation and empowerment and building private sector partnerships for development. Thornton (2010) further identifies eight public private partnership success factors, that are political commitment, clear PPP laws, a robust project cycle, a strong feasibility study, clear terms of the PPP agreement, early good projects training and communication, BEE impact and strong financial market and or competition.

This section explained the concept of partnerships, explicating its definition from different writers, different views on the origins of partnerships, different types of partnerships and a special focus on how different writers view partnerships. It ended the section by looking at PPPs from the global perspective to a South African perspective and lastly from a South African tourism perspective. The second concept underpinning the study, as indicated in Figure 2, is procurement.

2.4 Contextualizing and Conceptualizing Procurement

2.4.1 Introduction to procurement

The procurement process is the heart of this study. This section, therefore, traces the concept of procurement from early theorists such as England (1965) to address how recent writers like Chew Jr. (2001), Mc Laney (2003), Robinson (2010) and Headley & Griffiths (2014) have seen procurement from earlier conceptualizations such as those of England (1965), Ellram (1995) and Davidson (1998), evolve. The discussion further relates the procurement process in general to how Treasury in South Africa, has developed the PPP procurement process. Since procurement is part of a supply chain management process, this section briefly locates procurement and its background within supply chain management and analyses different definitions of procurement. Additionally, the relationship between procurement and project funding is assessed. A discussion concludes with a focus on public private partnerships as a particular procurement method relevant to this study.

Kildow (2011:17) suggests that “effective procurement of goods and services contributes to the competitive advantage of an organisation and believes the procurement section of an organisation is equally important here as well.” The promotion of important societal goals and value for money is achieved through an efficient and effective procurement process (Kildow, 2011). Cheng (2011) outlines the steps followed within the procurement process, namely; determining the type of purchase, determining the necessary levels of investment, performing the procurement process and evaluating the effectiveness of the procurement process. Cheng (2011) further asserts that there are multiple reasons that make managing the procurement process a challenging task.

Overall, progressive business management has recognised that the procurement function can make a substantial contribution to the profitability of the company’s operation. Mc Kenzie *et al.* (2006:42) thus argue that “it is necessary to place the procurement function on a commensurate level with other major business functions in the organisational structure if organisations want to maximize such contributions.” Mangan (2012) and Coyle *et al.* (2003), argue that the procurement function is extremely strategic because of its intimate relations

with all the departments within an organisation. These considerations are thus engaged within the procurement discussion undertaken here.

2.4.2 Procurement defined

Cohen and Roussel (2005) suggest that companies like Dell, Amazon, Shell Chemical and Airbus are rewriting the rules of competition within procurement in their industries. These market leaders, and others such as Wal Mart, constantly search for new ways of adding value by pushing the boundaries of performance, including refining their procurement processes so that they stay one step ahead of their competitors (Cohen & Roussel, 2005). The characteristics of procurement as rewriting the rules of competition, and procurement as a strategic differentiator which adds value as a mechanism for pushing the boundaries of performance, are visible as one reflects critically on various conceptualisations and experiences of procurement. As far back as 1965, analysts were presenting their views on procurement and the focus was more on buying strategies (Caldwell, *et al.* 2009). England (1965:45) asserts that “a successful operation of any modern industrial manufacturing concern depends to a large degree on procuring the proper equipment, materials, supplies of the right qualities in the right quantities, at the right price, and at the right time.” Thus, the basic elements present in performing the procurement function were taken into consideration as operating in relation to each other.

England (1965) and Mena, et al. (2014) acknowledge that purchasing is part of procurement and generally describes the process of buying as involving learning what the needs are, selecting the suppliers, negotiating the price and other pertinent terms and following up to ensure that suppliers deliver. The cost saving opportunities by procuring wisely was recognised increasingly in the 1960s. During his speech at the 38th Annual International Convention of the National Association of Purchasing Agents, Mr John Hill, confirmed that procurement interventions were able to cut by 5% to 10% of the total cost to purchasing. Procurement now covers wider areas and includes the duties performed by the purchasing section and includes the inspection of operations and salvaging operations from supplier challenges.

Dimitri, *et al.* (2006) assert that procurement can be a complex process because is difficult at times to define, understand and to manage. However, to manage the process, it must be understood and to understand the process, it must be defined. Depending on the circumstances, procurement can be defined in a narrow sense as the act of buying goods and services for the firm or defined in a broader perspective, as the process of obtaining goods and services for the firm. On further analysis, Henderson (2011) provides the theory behind the steps followed within the procurement process. The four steps namely: determining the type of purchase, determining the necessary levels of investment, performing the procurement process, and evaluating the effectiveness of the procurement process while clearly tracing the theoretical background of the steps followed by Treasury within the public private partnership procurement process. Providing the theoretical background to procurement assists in unpacking this concept, hence, the following theoretical framework on procurement and how it has guided Treasury in developing the public private partnership guideline within procurement is given.

The procurement process is, however, more than just the culmination of an activity. It is the successful completion of a series of activities that often cut across organisational boundaries. To formalize the definition, then, procurement consists of all those activities necessary to acquire goods and services consistent with user requirements. Coyle, *et al.* (2003) identify the strategic importance of procurement since it includes such activities as qualifying new suppliers, procuring different types of inputs and monitoring the supplier performance. As such, procurement serves as a critical link between the members of the supply chain. It links the members of the supply chain and ensures the quality of suppliers within the chain.

Sollish & Semanik (2012) assert indeed, that today's procurement process managers must be masters of change. Sollish & Semanik (2012) further argue that in order to facilitate that dynamic change, the procurement professional must also be the master of best practices and must avoid replacing one poorly functioning system with another by working to continually ensure that change drives improvement in the business process.

Hence, today's procurement professionals must have the ability to assess and respond effectively to current market conditions and foresight to envision future needs of the organisation, setting into motion plans that respond to the changing dynamics of the

continually reinvented organisation. Effective procurement requires “the utilization of sound business practices that maximize value to the organisation through the acquisition of goods and services” (Gopalan, 2013:17). Kildow (2011) suggests that effective procurement of goods and services contributes to the competitive advantage of an organisation and asserts that the procurement section is equally important. An efficient and effective procurement section is one that promotes critical goals for society and ensure achieving value for money.

2.4.3 Procurement within the supply chain

In order to remain competitive in today’s global economy, some companies have seen the need of containing supply chain costs by outsourcing some business activities. According to Kildow (2011), there are still risks with outsourcing certain activities. Hence, procurement has been identified as a critical contributory factor to service delivery particularly, for government departments. Although supply chain management is the area that has only come to widespread prominence in the last two decades or so, the reality is that its roots are more extensive than only the last two decades. Colander (2010) states that the term supply chain is sometimes used interchangeably with procurement, buying and logistics. These terms are totally different from each other as they have different focus areas. Both Mangan, *et al.* (2012) and Reeves, *et al.* (2013) are in agreement that ‘supply chain’ refers to a longer process which includes procurement and logistics, and that buying is part of procurement. The US based Council of Supply Chain Management Professionals (Nel, 2010) defines logistics as a process of planning, implementing and controlling procedures for the efficient and effective transportation, storage of goods including services, and related information from the point of origin to the point of consumption.

Mangan, *et al.* (2012) argue that organisations have seen the development of these parts of economic activity from the 1960s where there was a lot of fragmentation, such that buying, procurement and logistics were separate processes that were not seen to be supportive of each other. The 1980s saw a strong movement of these separate steps towards integration in a supply chain. By 2000, a full integration of various separate functions was noted, for example, transport, warehousing, demand management, acquisition, contract management

and compliance are typically grouped and integrated into cohesive supply chain. According to Nel (2010):

“Supply chain is the network of organisations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer” (p. 35).

Although logistics, buying and contract management are all critical elements within supply chain management, procurement is the function that this study focuses on.

2.4.4 Procurement theorization as a life cycle

Procurement theorisation now includes consideration of procurement as a process or lifecycle. This process is repeated within a business as different contracts mature, expire and are renewed on a continual basis. In addition to developing the sourcing strategy, there are basically four stages to be considered (Mangan, et al., 2012). According to Mangan, et al. (2012:57) the first method is the request for a quotation which is appropriate when the specification is clear and unambiguous, when the risk and value are low and there is no real requirement to create unnecessary competition. The benefit is that high levels of discretion are possible by informed and experienced buyers. Mangan, et al. (2012:70), further argues that “notably, it is appropriate to negotiate directly with a supplier or contractor when the specification, either/or both technical and commercial, requires some clarification or discussion with a supplier who has more knowledge or information than the customer.” Customers can have some confidence that they have an agreed upon specification and scope with suppliers.

When the risk and value is too high, the tendency is for organisations to revert to a formal tender process where a number of suitably qualified candidates will be invited to tender. The level of formality of the procurement process increases with value and risk. The benefit is that tender processes create formal competition that deliver performance and cost reductions based on the customer’s ability to properly define its requirements. Prices can be reduced by 5% to 20%. However, it is important to analyse the fundamental objective of procurement. The fundamental objective of the procurement function is to contribute to the profitability of operations of the organisation of which it is a part. The specific objectives

which aid in the accomplishment of the main purpose are to obtain the best quality of production materials suited to the intended use, to obtain the suitable quantities of material necessary to provide uninterrupted production, obtain the suppliers at the lowest possible cost whilst not compromising on quality and service delivery. To ensure quality and service delivery, with this theoretical background, Treasury developed the approval process. The early 1960s theorists and analysts of procurement identified steps that are covered within the procurement procedure and they indicate a substantive development to what we have today.

2.4.4.1 Steps within a procurement life cycle

Public sector procurement in developed markets is subject to directives that drive levels of objectivity and transparency that are designed to support better procurement decisions. The private sector, meanwhile, is free to make decisions that are more discretionary to meet its own specific objectives, and is not necessarily subject to the openness and transparency that the procurement directives of the public sector require (Caldwell et al., 2009). This provides an interesting basis to consider what might be the most useful elements of a procurement exercise in terms of achieving the 'best' outcome regarding the specified requirements of a contract, how suitable suppliers and contractors might be identified, and how a successful candidate is selected and a contract awarded. The critical nature of this is that these characteristics play a role for both the public sector and public sector in forging a partnership. On the obligation to publish contracts, the public sector is subject to appropriate financial thresholds for goods, works and service contracts, while the private sector has no obligation to publish contracts.

Caldwell, Roehrich, and Davies, (2009: 41-43) assert that procurement life cycle in modern businesses usually consists of seven steps, namely:

- a. "Identification of the need: This is an internal step for a company that involves understanding the needs of the company by establishing a short-term strategy (three to five years) followed by defining the technical direction and requirements.*
- b. Supplier Identification: Once the company has answered important issues like: Make-buy, multiple vs. single suppliers, then it needs to identify who can provide the required product or service. There are many sources to search for suppliers and trade shows.*

- c. **Supplier Communication:** When one or more suitable suppliers have been identified, requests for quotations, proposals, information or for tenders may be advertised or direct contact may be made with the suppliers. References for products or service quality are consulted, and any requirements for follow-up services including installation, maintenance and warranty are investigated. Samples of the product or service being considered may be examined, or trials undertaken.*
- d. **Negotiation:** Negotiations are undertaken and price, availability, and customization possibilities are established. Delivery schedules are negotiated, and a contract is then acquired.*
- e. **Supplier Liaison:** During this phase, the company evaluates the performance of the P/S and any accompanying service support, as they are consumed. A supplier scorecard is a popular tool for this purpose. When the product or service has been consumed or disposed of, the contract expires, or the product or service is to be re-ordered, company experience with the P/S is reviewed. If the product or service is to be re-ordered, the company determines whether to consider other suppliers or to continue with the same supplier.*
- f. **Logistics Management:** Supplier preparation, expediting, shipment, delivery, and payment for the product or service are completed, based on contract terms. Installation and training may also be included.*
- g. **Additional Step - Tender Notification:** Some institutions choose to use a notification service to raise the competition for the chosen opportunity. These systems can either be direct from their e-tendering software, or as a re-packaged notification from an external notification company.”*

2.4.5 Procurement as a key organisational strategic driver

This procurement section considers contemporary procurement as a strategic activity within a business or organisation with the potential to improve profits but also in terms of wider social, economic, and environmental issues relating to sourcing and procuring goods and services for the organisation. Mangan, et al. (2012) argues that procurement as a strategic and tactical activity has become increasingly important for many organisations and businesses. According to Mangan, et al. (2012:76) “procurement has also become more significant in response to government issues that companies face in terms of having a clear picture of how, why and with whom they spend money, and having the management processes and control in place to ensure that these are done in a way that is in line with the legislation.” The formal definition of procurement that Mangan, et al. (2012) provides is that

procurement is about specifying requirements, identifying sources, evaluating options and acquiring resources that are fit for the purpose and are cost effective and sustainable.

Mangan, et al. (2012) holds the view that the key driver for any business or organisation is to understand how much they actually spend. The answer to this is in many cases, surprisingly, not as obvious as it appears or is readily available. Often, this is because complex organisations or multinational enterprises operate from different global locations, with a range of suppliers working locally with different parts of the same business. Furthermore, procurement theory and strategies are grounded in the relationships that businesses and organisations have with markets. This is a fundamental issue in terms of supply and demand and how a business spends to secure assets and resources on favourable terms in the marketplace. Sourcing strategies as part of the procurement process, “provide a basis on which to consider a category of spending, defining the characteristics of that category, and how the market place determines how, and sometimes when, an organisation should procure items within that category to secure the best deal and continuity of supply” (Mangan, et al. 2012:92). This becomes a more complex and dynamic task to organise and manage.

2.4.6 PPP procurement: theory and practice

The pre-contract phase of the PPP procurement process generally consists of a number of stages. An illustration is provided by the Irish Department of Finance (2006) which identifies a number of distinct steps prior to contract award. These include: (i) the preliminary appraisal of the project, (ii) a detailed appraisal of procurement options, (iii) compilation of an output specification and a public-sector benchmark (comparator), (iv) and the procurement process which culminates in (v) a contract award.

2.4.7 The private and the public-sector procurement process

On information availability, the public-sector information about tender processes must generally be available, whilst in the private sector, the information is subject to internal policy but not generally available. In the criteria with the public sector, it is established at the onset and applied consistently throughout the process and with the private sector it can evolve and change as the process develops. In terms of objectivity, in the public sector, objective criteria

must be applied and used as basis for decision making, whilst in the private sector, the customer has the discretion on the level of objectivity to be applied. Transparency is required for all aspects of the tender process for the public sector, and for the private sector, levels of transparency in decision making are discretionary. With the public sector, there is a clear degree of repeatability of the procurement process. The due process is legislated and applied consistently by public bodies across government, while in the private sector the procurement process reflects individual customers' own processes and requirements. For the public sector, unsuccessful candidates can challenge outcomes of the procurement process, while there is no right to challenge or appeal with the private sector. According to Mangan, et al. (2012) these differences create a challenge when it comes to a decision for both the private and the public sector in regard to forming partnerships.

England (1965) argues that from both sectors, be it the public or the private sectors, the initial step is the ascertainment of the needs of an organisation in terms of goods and services. It is obvious that any purchase originates with the recognition of a definite need by someone in the company. It is the responsibility of the person responsible for the particular activity to know their requirement and raise the need through established structures. This is followed by an accurate description of the commodity or service required. It is fair to note that no particular purchasing head can be expected to know all the specific requirements of the various departments that he services. Hence, an accurate description of each departments needs is important. This is, by later analysts (Dimitri, *et al.* 2006 and Henderson, 2011), referred to as specifications. The next step is the transmission of the purchase requisition. This is later referred to as generating the authority to procure (Dimitri, *et al.* 2006). This authority enables the procurement section to start negotiations with suppliers. Negotiating with suppliers always involves consideration of the price. This negotiation, however, has different challenges for the public sector and the private sector. Critically analysing this difference between the public sector and private sector supports organisations in preparing for a partnership.

2.4.8 Public Private Partnerships as a procurement mechanism

Torvinen & Ulkuniemi (2016: 59) argue that “public procurement is not a static or standard activity and its context is constantly redefined and impacted by surrounding social, economic and political trends.” One of the current paradigms of public procurement is the encouragement to abandon its traditional practices of doing business and to move closer to relationship contracting, partnerships, networks and strategic alliances (Lawther & Martin, 2005). A widely shared opinion by public procurement experts is that traditional procurement methods and strict control of practices can be harmful, as they have the potential to smother both innovativeness and the cost effectiveness of the procurement projects (Baily, 2008). The lead idea behind closer collaboration in public procurement is that no single actor has all the knowledge, overview, information or resources to solve the complex and diversified problems encountered. A market-based approach to public procurement opens opportunities both for mobilizing innovation and at the same, time better achieving public policy goals and delivering a better service to citizens.

Logistics typically refer to activities that occur within the boundaries of a single organisation and supply chain refers to a network of companies that work together and coordinate their actions to deliver a product to the market. There is a difference between the concept of supply chain management and the traditional concept of logistics. Henderson (2013:28) asserts that “supply chain management is the coordination of production, inventory, location, and transportation among the participants in a supply chain to achieve the best mix of responsiveness and efficiency for the market being served.” Hence, procurement as integrated to the supply chain must be well understood to ensure effective supply chain processes and co-ordination. With this clear understanding that procurement is part of supply chain, the next focus is analysing the different definitions by various writers on procurement.

Despite the prevalence of partnership, the conceptualization of partnership varies from study to study. As such, it is difficult to provide a ‘one-size-fits-all’ definition for partnership broadly across all parameters (Lawther & Martin, 2005). Overall, a partnership is defined as “a long-term relational mechanism between an industrial supplier and its customer, which replaces open-market mechanisms and provides financial and operational incentives for partnering entities to pursue performances both individually and jointly” (Zhang, 2009:39).

Proponents of PPPs generally assert that it results in faster delivery of infrastructure and lower whole-life costs (value for money, VFM) compared to traditional procurement methods. Such assertions are however, keenly contested. With respect to VFM, it is worth noting that in their in-depth international review of PPPs, Hodge and Greve (2009:552) conclude that “overall, it seems that the economic and financial benefits of PPPs are still subject to debate and hence, considerable uncertainty.” Moreover, a more recent review of experience with PPPs in the UK by HM Treasury (2012:5) concludes that “there has been widespread concern that the public sector has not been getting value for money and taxpayers have not been getting a fair deal now and over the longer-term.”

2.4.9 South African Treasury adoption of the tourism procurement theory

In a PPP process, the department delegates its departmental function to the private partner. According to the Treasury Regulations 16 of the PMFA (1999: section 76) “the risks to both the organisation and the service provider are much higher and a correspondingly more sophisticated approach to procurement is required”. Procedures prescribed in the Treasury Regulations 16 of the PMFA (1999: section 76), “provide sufficient checks and balances to permit departments to determine their own procurement outcomes for PPP Projects”. These outcomes are dependent on the activities that are undertaken. These activities often cut across both functional boundaries (intrafirm) and organisational boundaries (interfirm) and cannot be effectively completed without input from all the parties involved in the process. The successful completion of these activities maximizes value for both the buying and selling organisations and thereby maximizing value for the procurement chain (Henderson, 2011).

Going through the activities identified by the Treasury, one can easily link them with the theoretical background activities provided by Coyle, *et al.* (2003) and Coetze (2009). Both activities, as identified by Coyle *et al.* (2003) and Bekely (2010) provide similar activities but are named differently. Coyle *et al.* (2003) further provide the theoretical background or a reference to Treasury’s activity steps. These activities are provided as (i) identify or re-evaluate needs vs needs analyses; (ii) identify the type of purchases vs. solution options; (iii) conduct a market analysis vs. provide operational and financial model, (iv) identify all possible

suppliers vs. due diligence; (v) pre-screen and evaluate remaining suppliers vs. procurement process; (vi) choosing the supplier vs. negotiations and contracting; receiving the delivery of service and performance management and evaluation vs. managing the delivery of service and the contract (Coyle *et al.*, 2003). All these activities by Coyle *et al.* (2003) informed the three phases of Treasury's procurement process i.e. Treasury Approval I, Treasury Approval II and Treasury Approval III as covered in the background to the study. Coyle *et al.* (2003: 124) argue that "managing the procurement process can be difficult for a multitude of reasons, ranging from inflexible organisational cultures. What must be remembered when dealing with these activities is that all firms are different and will have different requirements for the procurement process". Hence, in other organisations, the centre of procurement is the financing of the planned project. Chew, Jr. (2001) refers to the theory guiding this practice as an agency theory. Following is an explication of the role of agency theory and project finance guiding the procurement process and how it influences government agencies.

Business and government work together through numerous integrated partnerships for economic and even for social good of the society. However, according to Farazmand (2001) the adoption of so-called economic rationalist policies by many governments over the last two decades has led, conceptually, to a distinct shift away from direct government involvement in business activities, even though the role of the state may remain significant. However, this shift is not without a price. Farazmand (2001) continues and argues that:

"The tendering process, long used by public organisations to demonstrate that contracting parties have equal chance of winning contracts, has a number of significant weaknesses. Firstly, the cost of tendering within a partnership represents a significant investment for those businesses seeking work, especially when the success of tendering is not clear" (p.25).

Secondly, the detailed requirements of the tendering process are usually contained in a specification which may not consider the full range of benefits that a product or service may provide the government or organisation with unless the tendering organisation is involved from the time the specification is being developed. Thirdly, as a consequence of the corruption, the tendering process is not as transparent as it is supposed to be even though it purports to be an open and fair process. Fourthly, the risk of 'crony capitalism', where a government accedes to the demands of the powerful business interests at the expense of public benefits, may be a significant issue as highlighted by Davidson (1998).

2.5 Summary

Having covered the background to procurement and its link to the supply chain as a whole, various definitions on procurement and the theory guiding the procurement process, there is a need to probe into the project financing and agency theory with its influence on the public private partnerships as a procurement method. This chapter has attempted to expound the concept of partnerships and procurement as the cornerstone concept in this study, and the effectiveness of the tourism public private partnership procurement process for projects owned by the government. The next chapter is part of the literature review covering the theory supporting the enablers to these concepts. The key enablers to be discussed are the influence of the strategic direction, the theory behind project funding, corporate culture and the role players or actors.

CHAPTER THREE

ENABLERS TO THE PUBLIC PRIVATE PARTNERSHIP PROCUREMENT PROCESS

3.1 Introduction

The previous chapter presented the two conceptual underpinnings of this study in that it focused on contextualizing and conceptualizing partnerships and procurement. This chapter reviews the literature on what is referred to as 'enablers' to the public private partnership procurement process. Robinson (2010) acknowledges that a number of enablers are considered important for the effective implementation of a PPP procurement process. These three key enablers (strategic drivers influencing the environment, project funding initiatives and the role players in the PPP process) have an effect on the delivery of an effective public private partnership procurement process. The key objective for an enabler is to facilitate continuous improvements within the public private partnerships process.

The discussion initially considers the strategic drivers influencing the environment that prepares for an effective implementation of a PPP procurement process. Business continuity initiatives are covered in this chapter as causal factors to a change for any strategic direction. This change in the strategic direction influences the policy framework and legislative framework, which are covered in detail in the next chapter, Chapter Four. This chapter further engages with the theory underpinning funding strategies and the development of an agency theory which has influenced or provided the guidelines on how public private partnerships are used as a procurement method. This chapter also examines the enabling influence of expertise and knowledge, lengthy negotiations, privatisation, the experience of the public sector, readiness of the private sector, and the influence of the corporate culture on the public private partnership procurement process. The different actors and their influence on the public private partnership procurement process are also considered as significant enablers of PPP procurement.

3.2 Strategic drivers influencing the environment

To drive one's strategic business objectives and gain a competitive edge demands that the choices made about each strategic driver influencing the environment must be aligned to the business strategy and customers' needs. These strategic drivers are business continuity, risk management, privatisation strategy and the organisational culture. Kildow (2011) argues that the components of the strategic drivers that influence the environment should also be adaptable because competitive advantage is temporary and market forces change as change is a given. Notably, market conditions shift, business strategies evolve and new technologies emerge thus requiring shifts in strategy that can facilitate the effective implementation of the PPP procurement process. Furthermore, partnership itself should be sustainable and able to adapt to change so that it can continue to operate, grow and respond to new contexts and deliver demands. As a consequence of this reality, partnership strategies need to adapt.

Hence, business continuity is a significant enabler of PPPs because the actors within PPPs must show themselves to be sustainable and reliable partners. Thus, business continuity demonstrates the ability of an organisation to adapt to the changing demands which in turn provides comfort and confidence to all the stakeholders regarding the organisation's ability to sustain itself.

3.2.1 Business continuity initiatives

This section considers which organisations embark on a business continuity or business improvement initiatives. It critically discusses how different analysts view business continuity, relate it to an organisation's strategic direction, the encompassing legislative framework and analyses ways in which all these elements create an enabling environment for public private partnership. The key question that concerns Kildow (2011) is what drives the need for business improvement or continuity. Chew Jr. (2001) argues that there are numerous reasons for initiating business improvement projects. Some reasons come from within an organisation and are based on managers realizing the need to respond to risk that is increasing the organisation's operational vulnerability.

Kildow (2011) argues that there is not yet one meaning of business continuity that is understood, accepted and applied universally. There are both theoretical and functional definitions and the lines between them are often blurred. Theoretically, business continuity is defined as a proactive approach that ensures continuity or rapid restoration of delivery of the organisation's services or products following a disaster. Shaw (2002) defines business functionality as the ability of an organisation to provide services and support to its customers and to maintain its viability before and after a disaster, which thus incorporates the ability of a business to recover from a shock. The limitation in common definitions of business continuity is that they limit these activities to a disaster response within the organisation where it is a necessary program for business improvement sustainability. The most suitable definition is thus one that looks beyond the risk response and defines business continuity as an activity performed by or on behalf of an organisation to ensure that critical business functions are available to customers, suppliers, regulators and other stakeholders that need or require access to those functions (Watters, 2010). Additionally, business continuity should be conceived as a well-developed and maintained program with the goal of minimizing service and delivery delays, and thus helps to ensure that customers and other stakeholders' expectations are met (Watters, 2010).

According to Chew Jr. (2001) the requirement for business improvement projects or programs to ensure business continuity might also come from the executive level, perhaps, in the form of organisational policy to ensure continued service delivery to customers. In other organisations, the drivers for business improvement might come from external businesses or organisations such as suppliers, insurances and regulatory agencies that have a vested interest in the levels of business improvement capabilities. The primary driver may be ones' shareholders who want the organisation to demonstrate its ability to effectively manage the resources provided. Today, beyond price and quality considerations, customers want to know that a business has plans in place to meet the demand, fulfil contracts and adhere to service level agreements. Having no assigned ownership and responsibility for business may result in it not being done and not knowing who to account for that. Ensuring that business continuity is given the necessary focus begins with one executive taking ownership and assigning qualified people to various sections (Watters and Watters: 2014). Without the appropriate organisational structure and the right levels of accountability, business continuity

would not be possible, even when the plan seems complete. In any business, executives are continually and understandably concerned about cost justification and return on investment (ROI). However, Kildow (2011) argues that astute board members and executives realize that in today's increasingly risk-adverse business climate, business continuity planning is an essential element of an overall risk management approach that improves operational reality, quality and efficiency, and hence, the bottom line. The next subsection critically probes the issue of risk in business continuity initiatives.

3.2.2 Risk management

For business continuity to thrive in any organisation, Thompson Jr. and Strickland III (2003), argue that risk management is one of the fundamental building blocks of the procurement partnership strategy. In order to remain competitive in today's global economy, there has been an increase in using a third party as a way to improve service delivery processes, transfer risk and reduce costs (Timothy, 2007). Timothy, (2007:23) further argues that "efficient financing of PPP projects can involve the use of government support to ensure that the government bears risks which it can manage better than private investors, and to supplement projects which are economical but not financially viable." Some companies have seen a need to manage risk through procurement processes by outsourcing some business activities.

Outsourcing processes and services does not transfer responsibility for quality or timely delivery to customers and only transfers the process. The risks are still there with the organisation (Kildow, 2011). Where infrastructure projects have large public externalities, some level of direct financial support from the government may be appropriate. Striking this balance right will help the government make careful decisions about when to provide public-money support and manage the government liabilities that arise from such public-money support, while still encouraging infrastructure investment (Budina, 2007). Hence, procurement has been identified as a critical contributory factor to service delivery, particularly for government departments. This background on risk management and its influence on PPP procurement processes, places risk management as an enabler to an effective PPP procurement process and contributes to making the PPP procurement process better.

According to the S. A. National Treasury PPP Manual, (2007) Version 2, PPPs remain a relatively new phenomenon in South Africa. In helping to clarify the matter, the Treasury Regulations have according to S. A. National Treasury PPP Manual, (2002: Version 2), defined public private partnership based on three essential elements, i.e. risk transfer, skills transfer and service delivery improvement. In the case of risk transfer, it is where a risk cannot be avoided, or reduced and is too big to be absorbed by the firm as it can be turned into someone else's problem or opportunity by selling or transferring it to the willing buyer (Timothy, 2007). Risk can be transferred in three main ways: diversification which holds a diversified portfolio of investments. This does not entirely eliminate the risk. Secondly, the insurance which seeks to cover downside risks by paying a premium to transfer risks and thirdly, hedging which involves the exchange for an agreed fee to a financial institution (Timothy, 2007).

Campbell, *et al.* (2003) argue that with executive leadership being more accountable and personally responsible, there is a growing understanding that risk management depends on the highest levels within the organisation. Campbell, *et al.* (2003) further argue that as a basic principle, the board of directors or the highest executive level of an organisation has ultimate responsibility for ensuring that the organisation is prepared and able to manage risk. Executives and high-level managers all manage risk whilst the chair or the chief executive officer (CEO) manages the organisational reputational risk. The CEO always works with the two key executives, that is, the chief financial officer and the chief operating officer. The chief financial officer (CFO) is responsible for managing the organisation's financial risk, while, the chief operating officer (COO) deals with operational risk. Ensuring effective structures in managing risks, in general and within PPP, procurement processes ensure that there are no hidden risks in government accounts and that the government exposure to risk is limited (Shendy, *et al.*, 2013). An organisational strategy that is clear on privatization as a strategic driver is critical for the effective implementation of the PPP procurement process (Mc Aleese, 2004).

3.2.3 The privatization strategy

This section focuses on the reasons for privatisation, objectives of privatisation, role of government in privatisation, and the influence of regulatory reforms as a necessity for privatisation to yield meaningful results. According to Bennett (1997) and Hodge (2006) the main justification for the immense effort being undertaken in the name of privatisation

despite the multiplicity of objectives, has always been that private firms are inherently more efficient than the public sector. As observed by Mc Aleese (2004) the motivation for privatisation has been diverse. For most organisations, “the major objective for privatisation is to make companies more efficient and change their ethos” (Mc Aleese, 2004:27). This resulted from a certain disillusionment with the capacity of nationalised industries to deliver efficient service to the public and to achieve the social goals they were set up to attain. Closely related to the above, is that government wanted to introduce competition into these sectors hitherto dominated by state utilities. From the state view point, the revenue maximizing strategy was to sell the company first, with the monopoly profits to inflate its value and liberate the sector afterwards. “Many nationalised sectors were notorious for losing money” (Gopalan, 2013:31). The liberation of trade threatened even further losses and selling them was seen as a solution to the problem. Many developing countries saw privatisation as a golden opportunity to reduce demanding public-sector debt and set in motion a lower tax environment without demanding increases in a budget deficit (Gopalan, 2013). Politicians supported by public opinion, became converted to the view that the balance of a mixed economy has shifted excessively towards the public sector. This was supported by the number of strikes from the public sector. Hodge (2006) argues that with the above reasons for companies to support privatisation, they show themselves to have common objectives which both sectors accept and understand.

3.2.3.1 Conceptualising and contextualising privatization as an enabling strategy

Privatization generally means transferring the ownership and management of a given activity from the public to the private sector (Savas, 2003). Some privatization has involved more than the simple transfer of ownership which leaves the functions and structure of the enterprise untouched. In some, it is either the provision of infrastructure that is privatized or operations or even both. Some public service providers have dramatically improved the delivery of their services, and have often reduced their costs too, by using both or one of the above-mentioned approaches. In recent years, privatization has been embraced by governments of all political stances and at varying scales of government structure. However, this has been critiqued in Britain as the government privatizing existing public monopolies without increasing competition in the industry (Harper, 2000). But, the privatization program has been successful politically because widening share ownership has created a constituency

supportive of the program while reducing the public sector's need to borrow. The government entity moves from a stage of being a department to having the status of being an independent agency or to be a state-owned enterprise or parastatal, and then to some form of shared ownership between the government and the private sector to a final completely private-owned state (Savas, 2003).

Harper (2000) asserts that according to those who advocate privatization as a remedy for public service problems, service delivery becomes better when it is exerted by the private sector. However, evidence from experience is not as clear. As it is claimed by Harper (2000), privatization in the United Kingdom started in the late 1970s and the experience has been exhaustively documented. While there are many cases where enterprises have become more efficient when they have been privatized, there are also many cases where they have not delivered as it had been expected of them. Following is the analysis by Parker of the situation as experienced as early as 1993.

According to Parker (1993) twelve cases were analysed and there was no clear relationship found to exist between the changes in organisational status and the subsequent performance of the organisation. A host of other factors should be taken into account, particularly, the internal environment of the enterprises and other positive or negative changes that may or may not have been associated with privatization. In eight of the 12 cases, the financial performance of the enterprises, as measured by a mix of ratios improved, thus leaving out four. The findings of the impact on the total factor productivity were even less conclusive as five cases improved, two did not, and five others were unclear. Based on these experiences, Treasury had to develop guidelines so as to protect both the government and the recipient of the service. The key question is how does privatization happen from a theoretical point of view? In some cases, it was a result of 'grassroots' pressure and initiative from the client communities themselves or because the public provider has finally accepted that what private partners have been doing unofficially is actually helping to better service delivery. New technologies or increased service capacity, sometimes require new delivery channels or financial constraints may force the public service provider to allow the private partner to take over some of their functions. It may further be initiated by the government itself in an effort to contain costs or by a community in order to provide themselves with business

opportunities. It may also have been because the demand exceeded the government capacity to provide or supply.

3.2.3.2 Reasons and Objectives for Privatisation

The commonly stated objectives can be roughly categorised as follows, according to Bennett, (1997) supported by Hodge (2006):

- Firstly, political goals such as reducing the size of the public sector and restoring or strengthening the private sector, spreading share ownership more widely and making productive enterprises more responsive and accountable to those for whom they produce,
- Secondly, efficiency goals such as increasing productivity and microeconomics efficiency,
- Thirdly, fiscal stabilization goals such as maximizing proceeds of sales, reducing the future drain of subventions and capital contribution from the government revenue. Resource mobilization goals such as promoting foreign investments into the country, releasing limited government resources to other areas of need.

These reasons and objectives to privatisation come with a clear effect on privatisation.

Privatisation programmes come in diverse forms and it is not always easy to determine their success or failure. Mc Aleese (2004) argues that studies from the UK experience suggests mixed results. Some privatised companies managed to achieve a highly successful turnaround, but there are many large organisations which were not very successful and where changes are much debated, for example, in the case of the privatisation of British Rail and health services. Experience also differs from country to country. The effects on privatization can be evaluated from various angles for example, the effect on efficiencies, on government revenues, on income distribution, on savings from government and effects on risk transfer. Mc Aleese (2004) further asserts that there are many areas of the economy to which the ethos of the state-owned company is particularly unsuited and where privatisation has yielded unambiguous benefits. Examples are state-owned hotels and restaurants where the quickness of response and an entrepreneurial approach is especially important. The number and scope of privatisation programmes around the world shows that finance ministers are convinced that the potential benefits exceed any potential losses. With this view, it is

important to then analyse the role of government on privatisation and how they introduce or influence the regulatory reforms. The private sector as a role player is elaborated on in the sections to come (refer to 3.4.5).

3.2.4 Organisational Culture

Boonstra (2012:12) argues that “a critical area that has come under the spotlight in terms of analysis of the internal workings of an organisation is organisational culture.” This section analyses the role played by organisational corporate culture and thus, critically evaluates how this influences the organisational environment in enabling effective management of PPP procurement processes. It will expose how various writers like Wheelen (2004), McKenzie & Lee (2006), Brown & Harvey (2006) and Venter (2014) critically assess the influence of organisational culture on effective implementation and management of public private partnership procurement processes.

Brown & Harvey (2006:87) define corporate culture “as a system of shared values and beliefs that interact with the organisations’ people, structure and systems to produce behavioural norms.” These authors further define corporate culture as an interdependent set of beliefs, values, ways of behaving, and tools for living that are so common in a community that they tend to perpetuate themselves, sometimes over long periods of time. In this light, organisational culture is derived from both the management and the organisation itself (Brown & Harvey, 2006).

In terms of the organisational culture of the private sector, Rosauer (2013) is of the view that the private sector is that part of the economy whose activities are under the control and direction of non-governmental economic units such as households or firms. Each economic unit owns its own resources and uses them mainly to maximize its own wellbeing.

Fox and Meyer, (1995:101) argue that, “traditionally, it is that sector of the business which conducts business for profits, specifically the business and industrial communities.” According to Hartnell & Kinicki (2011) and Venter (2014:5) business culture is defined as “a set of unwritten values and beliefs about what is proper, right and appropriate in a business.” These beliefs and values are generally well known and accepted by the members of a specific

business and the overall business sector. When this culture is consistent with the core values and strategies of the business or sector, it can be a great source of strength, (Boonstra, 2012). Notably, businesses build a culture through mission statements, statements of business philosophy and statements of core values.

This generally discourages small companies from bidding. The culture and/or business character of organisations plays an influential role within the procurement process. This is even more so on state/government owned enterprises (Kleinbaum & Aviva 2013).

On building a strategy supportive corporate culture, Thompson Jr. & Strickland III (2003:49) argue that “every company has a unique organisational culture and that each has its own business philosophy and principles, its own ways of approaching problems and making decisions, work climate and ethics.” These are some of the elements that define the corporate culture. According to Thompson Jr. & Strickland III (2003:52) “corporate culture refers to the company’s values, beliefs, business principles, traditions, ways of operating business and internal work environment.” An organisation’s corporate culture, as argued by Varshey (2010:5), is “either an important contributor or obstacle to successful strategy execution.” The beliefs, vision, objectives, policies, procedures, strategic framework, business approach and practices underpinning a company’s strategy may or may not be compatible with its culture.

Thompson *et al.* (2008) state that when the culture is in conflict with some aspects of the company’s direction, performance targets or strategy, the culture becomes a stumbling block. This impedes successful strategy implementation and execution. Thompson *et al.* (2008:52) continue and argue that:

“A culture that is grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize people throughout the company to do their work in a manner that supports the strategy” (p.52).

All these three analysts emphasize the view that a deeply rooted culture well matched to strategy is a powerful lever for successful strategy execution (Thompson *et al.*, 2008). In today’s organisations and change leaders are looking to make a more fundamental shift in the capabilities of their organisations. Arguably, a static organisational culture can no longer be effective.

Managers through their actions and words, define the philosophy of how employees and clients are treated. A company in a fast-changing industry will probably develop a different culture than a company in a slow changing cultural environment. Strategic change has become increasingly important in recent years and often influences the very survival of an organisation in a volatile environment. In order to remain competitive in today's global economy, there has to be an increase in the use of a third party as a way to improve service delivery processes, transfer risks and reduce costs (Timothy, 2007). Organisational excellence in a rapidly changing world requires an innovative and adaptive corporate culture. The corporate culture can be a force in reinforcing or resisting strategic changes. When the culture is resistant to innovation, "organisational development and strategic review can be used to enhance successful strategic changes" (Timothy, 2007:17). Having looked at the importance of establishing a dedicated public private partnership unit (covered in 4.7, Dedicated PPP Unit), providing it with the necessary expertise and knowledge and ensuring the organisational culture is geared to support public private partnership procurement process is vital. It is also critical to investigate project financing as one of the key enabling elements for an effective PPP procurement process and a key enabler in securing a desired partner, and a PPP strategy that is supportive of broad organisational goals (Kleinbaum & Aviva, 2013).

Emerging from inflexible organisational cultures, what must be remembered when dealing with these activities is that all firms are different and will have different requirements for the procurement process. The evolution in the thinking of those responsible for industrial organisational policy resulting in the recognition of procurement as a major business function, is entitled to its own identity and capable of making a meaningful contribution to organisational growth and profit maximization. Hence, in other organisations, the centre of procurement is the financing of the planned project. Chew, Jr. (2001) refers to the theory guiding this procurement practice as an agency theory. The next section thus critically analyses project financing and its origins in agency theory.

3.3 Project Financing

Mangan, et al. (2012) defines a sourcing strategy as a business case used by an organisation to decide on the best way to procure resources. Chew, Jr. (2001) concedes that project financing is expensive to arrange as it involves establishing the project company and the treasury guidelines refer to it as a project advisory council. Government commonly advertises for competing bids as a sourcing strategy. In preparing their bids, “companies recognize both the cost of doing so and the probability that they will not be awarded the contract” (Shendy, *et al.* 2013:19)

3.3.1 The Agency Theory

This section presents and analyses the sourcing strategy for any organisation or partnership to source funding for big projects. It further provides the origins of the agency theory and traces the theoretical background that led the South African Treasury, in particular, to develop PPPs as a procurement process. Sourcing strategies are the first steps for any organisation to consider as to how they will assist in securing supply either on a local, national, regional or global basis, and interact with the market place and suppliers. A sourcing strategy with a clearly defined requirement “should include the level or amount of spend to be considered and the potential risk involved” (Timothy, 2007:81). There is also a need to consider whether supply is needed for a once-off project or recurring project, market maturity, technology lifecycle of the market, number of sources and potential suppliers, contract duration and potential for performance improvement and cost reduction.

Throughout most of the history of the industrial world, much of the funding for large-scale public works such as roads and canals has come from private sources of capital, (Timothy, 2007). It was only towards the end of the 19th century that public financing of large ‘infrastructure’ projects began to dominate private financing and these trends continued to date. The principal features of such project financing have been where a project is established by a separate company which operates under the concession obtained from the host government; a major proportion of equity of the project company is provided by the project

manager or sponsor thereby trying to provide finance for the management of the project; the project company enters into comprehensive contractual arrangements with the suppliers and customers, and lastly, the project company operates with a high ratio of debt to equity, with lenders having only limited resources to the government or to the equity-holders in the event of default (Shendy, *et al.*, 2013). These characteristics clearly distinguish project finance from traditional lending.

Centralization appears as a clear trend in sourcing strategy for public procurement (Dimitri, *et al.*, 2006). Governments all over the world are encouraging public sector organisations to collaborate in purchasing, so as to achieve economies of scope and scale, with examples including the United Kingdom, The Netherlands, United States, and Australia (Reeves, 2014). If purchasing is decentralized, all governmental units and agencies have the flexibility to order products and services according to their needs. However, many of these needs are similar across agencies (e.g., office supplies, cleaning services), and the government forgoes certain benefits if such purchases are not coordinated from the centre (Obicci, 2017), hence the rise of centralized strategies of sourcing.

According to the agency theory, management acts as agents of control for others. Thus, it treats incentives as the centre of success within the public private partnership procurement method. The big question though, relates to how the different kinds of financing within the procurement process influence the project selection and support by the managers or leaders within an organisation. The critique of this section is that it provides the theoretical background on the key element that actually has driven government entities in response to the shortage of infrastructure funding, to consider other project financing options which have led to the PPP procurement process.

The agency theory by Chew, Jr. (2001) advocates the view that the foundation of project financing is contained within agency theory which suggests that management is retained to run firms which they do not necessarily own. It provides a study on management acting as agents of control for others. It further treats agency theory and incentives as the centre of success within the public private partnership procurement method. The big question concerns how the different kinds of financing within the procurement process influence the

project selection and support by managers or leaders within an organisation. The critique of this section is that it provides the theoretical background of the key element that actually has driven government entities in response to the shortage of infrastructure funding, to consider other project financing options that have led to the PPP procurement process, (Bailey, 2003). Throughout most of the history of the industrial world, much of the funding for large-scale public works such as roads and canals have come from private sources of capital with larger public funding for infrastructure starting to emerge only towards the end of the 19th century (Bodmer, 2017; Brealey & Myers, 2002).

Zein (2016) argues that a project is established by a separate company, which operates under the concession obtained from the host government; a major proportion of equity of the project company is provided by the project manager or sponsor thereby tying the provision of finance to the management of the project. The project company enters into comprehensive contractual arrangements with suppliers and customers, and lastly, the project company operates with a high ratio of debt to equity, with lenders having only limited recourse to the government or to the equity-holders in the event of default. These characteristics clearly distinguish project finance from traditional lending. McLaney (2003:72) argues that “in conventional financing arrangements, projects are generally not incorporated by separate companies.” This study notably, also sought to briefly explore some rationale for project financing from the view point of both the private sector and the public sector. Thus, this section probes the notion that project financing represents ‘expensive’ finance for the government and contrast project financing with other private-sector options such as privatization and the use of service-contracts with private-sector companies. Chew, Jr. (2001:36) argues that “a government that uses project finance to fund a project obtains both private-sector funding and management.” Project finance, therefore, reduces the need for government borrowing and shifts part of the risks presented by the project to the private sector and thus, aims to achieve more effective management of the project.

Project finance, therefore, reduces the need for government borrowing and shifts part of the risks of a project to the private sector as well as including the overall aim for more effective management of the project (Shendy, *et al.* 2013).

Robinson, et al. (2010) identifies some desired results for a public private partnership process, that is, value for money, risk transfer, skills transfer and whole life cycle. On the topic of value for money, Robinson (2010) asserts that value for money is central to the PPP debate. In the United Kingdom, PPP policy argues that they should be used only where a PPP is demonstrated to provide value for money compared to the traditional public sector funded route. Value for money, as argued by Robinson (2010:17) “is the optimum combination of whole life costs (capital and operating costs) and quality of services to meet the requirement of a public sector.” On the risk transfer, Robinson, et al. (2010) asserts that it is important to investigate the type and level of risk involved in a PPP project, and then develops the risk matrix and decides to allocate or retain the risk to the party best suitable to manage such.

According to Robinson (2010:21) the PPP option is selected “only if the whole life cost of the private sector bid is lower than the hypothetical risk adjusted by the Public Sector Comparator based on the same level or quality of service.” On costing, the value of risk transfer is important in determining the bid cost from the private sector perspective and to assess whether it represents value for money or not. On skills transfer, this can be divided into two categories. Firstly, where there is a lack of knowledge to inform decision making, specifically, financially based decision making required by the project operation. Secondly, the transfer of knowledge between various stakeholders is required for both intra and inter projects knowledge transfer. In the Whole Life Cycle Commitment, the whole life approach of PPPs leads to efficiencies through synergies between design, construction of assets and its later operations. Having gone through the analysis of strategic sourcing, definition and analysis of agency theory and the development of project financing in the public private partnerships procurement process, the next focus is on sourcing corporate funding.

3.3.2 Sources of corporate funding

This section analyses the dynamics faced by large scale projects in sourcing funding and responds to the question of why a public private partnership procurement process is a solution to the funding challenges for big projects. Pike and Neale (2003) argue that large scale strategic projects, such as the construction of tunnels, roads and power stations, are often funded through project finance.

Lewis & Roehrich (2009:91) are of the view that “the private finance initiative (PFI) is a way of creating ‘public–private partnerships’ (PPPs) by funding public infrastructure projects with private capital.” The private finance initiative was developed initially, by the governments of Australia and the United Kingdom, and used extensively there. PFI and its variants have now been adopted in many countries as part of the wider program of privatization and financing model driven by an increased need for accountability and efficiency for public spending. PFI has also been used to place a great amount of debt ‘off-balance-sheet.’ Lewis and Roehrich (2009) further contend that PFI has been controversial in the UK; as attested by the National Audit Office in 2003 that it provided good value for money overall (Bodmer, 2017). However, recently the British Parliamentary Treasury Select Committee found that PFI should be brought on a balance sheet. In this regard, Treasury should remove any perverse incentives unrelated to value for money by ensuring that PFI is not used to circumvent departmental budget limits. Campbell, *et al.* (2003) assert that financial resources, as we have already learned, are an essential input to strategic development. To this end, capital for development can be raised from several sources like share capital, rights issue capital, retained profits and through the disposal of existing fixed assets.

In unpacking these, this study investigates the relevance or applicability of these options within government entities. The key concept of capital according to Campbell *et al.* (2003) is described as:

“[o]ne particular type of ‘money’. Capital is usually contrasted with revenue. Revenue is money that is earned through normal business transactions and capital is money that is used to invest in the business. The investment of capital enables the business to expand and, through expansion, to increase its financial sustainability. Capital can be raised from shareholders, through retained profits, through rights issues, through loan capital and through the disposal of assets.” (p. 46).

The complication in these financial resources is that they may be an option for a private sector, but not necessarily for a public or government entity. This challenge amongst other issues, was one of the reasons that prompted the consideration of the PPP procurement process. In the discussion that follows, each of these is dealt with in relation to its applicability within the current set up within government entities.

Campbell, *et al.* (2003) argue that in most limited companies, a sizeable proportion of capital is raised from shareholders (the financial owners of the company) in the form of share capital.

Share capital, historically, has comprised the majority of capital for a limited company's start up and subsequent development.

Under normal circumstances, share capital is considered to be permanent as it is not paid back by the company. The shareholders' payback is only in the form of dividends and this is not applicable to a government entity as the government is the shareholder (an institutional shareholder) and the straight definition of dividends is not applicable. So, this approach of funding was not an option. The next option was the loan capital. The loan capital, according to the document on strategic management for travel and tourism (Offutt, 2011) refers to the use of retained profits to fund corporate developments. This is clearly the ability of the company to actually make a profit that can at least in part be distributed to the shareholders as dividends. Some profits are made available to this form of a loan and the interest is paid every year to this loan. Esty (2004) argues that the profits generated by government entities are generally not sufficient to cover the interest nor fund projects as loan funding. Hence, this as well, was not an option for funding large capital projects. The next is the right issue capital. This is when a company issues new shares to a stock market. The new shares might provide access funding for capital projects. Government entities are also unable to sell shares for this option; hence, it is not feasible. The last option as covered by Campbell *et al.* (2003) is the disposal of assets. This could not be done without some compromise in control, hence, it was also not an option.

The other option provided by McLaney (2003) is the grant funding to public entities. The government in this case, sets up an entity to fund projects be they private or public. This is because of its flexibility as developed and designed by government to support within its environment, was a possible option. However, with most governments, it had to be considered in partnership with the private sector. This therefore, led analysts to consider the procurement process as an option for engaging the private sector and thus address organisational funding requirements. Hence, it was important to look at the procurement process as an area of opportunity. Following is an explanation of the role of agency theory and project financing guiding the procurement process and how it influences government agencies.

Campbell, *et al.* (2003:17) argue that “given the financial constraints experienced by states and municipalities, the proceeds of PPP’s could help by providing budgetary relief.” However, all the PPPs that have come into place over the last five years have focused on long term investments and partnerships. Arguably, as the state or local government budget continues taking strain, PPP’s are likely to become a steadily increasing part of the dialogue around deficit solutions (Offutt, 2011). According to Offutt (2011),

“The PPPs recently executed in the space, suggest the potential forms that future transactions will take: long term revenue sharing arrangements, green-fields projects using availability payment structures, and ‘new’ brownfield leases predicated on capturing the benefits of the private sector operations” (p.78).

3.3.3 The influence of law on project funding

A major impediment to private-sector involvement in infrastructure development and maintenance in the U.S. is the lack of Public-Private Partnership legislation since approximately only half of states have the legislation to facilitate PPPs (Stanley, 2010). This is true for many countries. With the challenges presented above, the big question relates to why the public private partnership procurement processes are an option for consideration when looking for a funding model (Wahba & Stanley, 2011). This is accounted for by the fact that the private sector is more efficient than most government run entities as argued by Stanton (2012). In a private system, costs are continually being contained, if not, the owner of the business will make no profit. This is because in a competitive environment, the competition will cut their costs and sell at an affordable price. Alternatively, the private company may try to supply more value for the same money. Companies constantly strive to improve their services and lower their costs. Government organisations are managed differently. Generally, there are no such incentives to control costs. If the government organisation makes a loss, the government pays for it. What complicates the situation is that the civil servant with more staff and the biggest budget to spend is considered most important and gets paid the biggest salary. There is an incentive to increase the budget and spend more (Shaw, 2002).

Robinson, (2010) asserts that PPP projects are usually funded on the principle of project finance. In this regard, the source of funding affects the project cost, revenue, risk allocation

and also the project's viability. Sources of finance, whether debt or equity, affect the level of risk, returns, lending term and various other conditions. Pike & Neale (2003) argue that large scale strategic projects, such as the construction of tunnels, roads and power stations, are often funded through projects finance. Here, the operation is financed and controlled separately from the operations of the constructor or user. Campbell *et al.* (2003:49) claim that "financial resources, as we have already learned, are an essential input to strategic development." Capital for development can be raised from several sources like share capital, rights issue capital, retained profits and through the disposal of existing fixed assets. The key concept of capital, according to Campbell *et al.* (2003:50), "is described as one particular type of money. It is usually contrasted with revenue. Revenue is money that is earned through normal business transactions and capital is money that is used to invest in the business. The investment of capital enables the business to expand and through expansion, it increases its financial sustainability. Capital can be raised from shareholders, through retained profits, through rights issues, through loan capital and through the disposal of assets." The complication in these is that they may be an option for a private sector, but not necessarily for a public or government entity. This challenge, amongst other issues, was one of the reasons that prompted consideration of the PPP procurement process. Following is a consideration of each of these in relation to its applicability within the current set up within government entities.

3.4 Role Players

With the strategy aligned accordingly, having cleared the environment for an effective project funding strategy guided by agency theory and having assigned the public private partnership procurement process to a dedicated unit with the requisite knowledge and expertise (refer to 4.7), the focus is on analysing the influence of role players within a PPP project. This section (3.4), as covered in the summary diagram (2.2 figure three), presents four role players in relation to strategic enablers. These are the public sector, leadership (from both public sector and private sector, organised labour and the shareholder department), funding institutions and the private sector. Various stakeholders are involved within PPP projects.

This section, therefore, expands on the best practices as identified by theorists for the key role players who are state owned entities, Treasury, executive leadership within organisations, and the private sector.

3.4.1 State / Government owned entities

This section provides the understanding of the concept of state-owned enterprises as they are the ones that are normally given the opportunity to engage the private sector. There are, however, other arguments on privatisation by Mohr, *et al.* (2008). Mohr, *et al.* (2008) state that state-owned enterprises are bureaucratic, inefficient, unresponsive to consumer wishes and often a burden to tax payers. Mohr, *et al.* (2008) further argues that state owned enterprises are also characterised by the fact that they lack innovation and creativity, poor investment decisions and poor financial controls. This section further investigates the theoretical understanding of the meaning of state-owned enterprises, the business character of state-owned enterprises and the desired culture that is likely to influence the procurement process positively. Political support is crucial to build momentum and maintain confidence in the scheme.

The state/government owned enterprises, as role players, bring their own dynamics into the PPP procurement process. Hague, *et al.* (2011) argue that the government has been 'hallowed out' during this current phase of driving development by the private sector through globalization particularly, in the Western World. This means that they have lost power and functions through privatization. The state instead of being the provider has become the enabler that works in partnership with the private sector, non-governmental organisations and at times, with the citizens (KwaZulu-Natal Department of Economic Development, 2012).

State-owned enterprises are business enterprises owned by governments, (Ovens, 2013). Special circumstances often dictate the creation of government owned business entities. These differ significantly among themselves in several dimensions (KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs, 2013). A state-owned enterprise specializes in the production of output for sale and tends to rely on revenues from these sales (Rochester Studies, 1989). Manda & Pant (2016) argue that state owned

enterprises have three distinguishing characteristics: Firstly, they must be owned by the state or government; secondly, they must be engaged in the production of goods and services for sale; thirdly, sales revenues of state-owned enterprises should bear some relationship to cost. By and large, in Britain, the Thatcher government simply privatized public monopolies without increasing competition in the industry (Rochester Studies, 1989). However, as stated in the Rochester Studies (1989), the programs were successful politically because widening share ownership created a constituency supportive of the program while reducing the public sector's need to borrow. This assisted the government to support more public programs with more available funds. In later assessment, the privatized monopolies proved very effective in relieving funds to other government needed projects. Sometimes this term is used interchangeably with the term public sector (Farazmand, 2001). The two terms in South African terminology refer to organisations that are owned by the state but operate differently. Following is a brief explanation on the term public sector.

According to Shaw (2002) the term 'public sector' covers a wide range of different types of undertakings. Many, if not most, public private partnerships have taken place at a municipality level or local level as a result of local initiative rather than national initiative or policy. The actual government body that hands over the service delivery function is at the provincial or municipal level.

In South Africa, in line with international trends, "corporatization, i.e. the transformation of state assets or agencies into state owned corporations, was introduced in some sectors to promote more effective and efficient service delivery particularly, following democratization in 1994" (Ovens, 2013:37). Ovens (2013) further argues that internationally, using public authorities rather than full privatisation is seen as taking advantage of private sector efficiencies while maintaining public accountability. According to the S. A. National Tourism Sector Strategy (2011) the public is, in such case, represented by the government who may also have delegated the responsibility to an appointed agency, usually a Schedule 3 C organisation. The state-owned enterprise as compared to a public organisation, has some characteristics that tend to support the PPP procurement process much more than the public sector. Ovens (2013) continues and argues that state owned enterprises are distinguished from other parts of the public sector by their business character. Irwin and Yamamoto (2004) argue that while public sectors rely primarily on periodic budgetary grants to finance their

activities, state owned enterprises typically depend on revenues from sales of goods and services. Known examples in South Africa are the Transnet Group, Eskom and Telkom and so forth. These are further characterized by their vast diversity.

3.4.2 Treasury

At present in South Africa, all public private partnership processes and procedures are regulated and approved by the National Treasury. Since Treasury is entrusted with the responsibility of regulating the process of those that involve government owned entities, it provides a better road map to start with. This authority can be delegated to provincial treasuries, through the Treasury Regulation 16 of 1999. The practice applied by the treasury to enhance this process, is allocating a national and a provincial support individual from their teams to support all registered PPP projects. It was proposed by the Finance Ministry, (National Treasury PPP Manual, 2007:10) that a dedicated Public Private Partnership Unit be established to promote PPPs effectively to conform to the institutional principles highlighted. The key objective for the Unit was to address the constraints in the enabling environment, and thus facilitate successful implementation of affordable PPPs that represent value for money to all the stakeholders. The core functions required to meet this objective entails technical assistance, support, enforcement and monitoring the government's PPP strategy to the department.

The following are the stages after inception that are managed by the treasury: Treasury Approval I, Treasury Approval II and Treasury Approval III. According to the National Treasury PPP Manual (2007: Version 2):

“PPP’s are a contractual arrangement between a public-sector entity and a private sector entity whereby the private sector performs a departmental function in accordance with an output-based specification for a specified, significant period of time in return for a benefit which is normally in the form of financial remuneration” (p. 11).

According to the PPP Manual (2004:9) “the Treasury’s role is to ensure that PPP projects reflect a prudent use of state resources, that is, they are affordable and provide value for money.” The regulations and the guidelines facilitate the departments and Treasury in playing their respective roles throughout the PPP project cycle, guided by the three essential

elements for public private partnerships. Firstly, a contractual arrangement, secondly, substantial risk transfers, and thirdly, an outcome-based financial reward. With a clear understanding of the role of Treasury, the next structure on the line is the organisational executive leadership that actually owns the process from both the strategic level and the operational level. The next focus is to investigate the role of the executive leadership as an enabling structure.

The section has provided various definitions of state-owned enterprises, the role of Treasury, characteristics within them that do not only support public private partnerships, but also those characteristics that discourage public private partnerships. To bring a balance in the understanding of the two worlds, it is therefore, important to look at the private sector's role and how government entities are influenced by private sector or influences the private sector. This next section starts by giving the background to privatisation, analysing the private sector and its role within PPPs.

3.4.3 Private sector and its role in enhancing PPPs

According to Harper (2000), public service delivery, particularly for poorer people in rural areas or urban areas, has never been good and part of the problem is undoubtedly one of the rising expectations. Harper (2000:37) continues with the argument and claims that, "governments are being pressed to provide more and better services but are at the same time getting less resources with which to supply them". Osman (2014) argues that one popular solution to this challenge in public services is privatization. This section thus critically analyses the definitions given by different writers to privatisation, as a background and an enabler for the private sector to operate effectively within the PPP process. Different arguments on the private sectors' role analysed and lastly this section evaluates the role of government on enabling the private sector.

The key question is how does privatization happen from a theoretical point of view? In some cases, it happens as a result of 'grassroots' pressure and initiatives from the client communities themselves or because the public provider have finally accepted that what private partners have been doing unofficially for some, is actually helping to better service

delivery. New technologies or increased service capacity, sometimes require new delivery channels or financial constraints may force the public service provider to allow private partners to take over some of their functions. It may also be initiated by the government itself in an effort to contain costs or by a community in order to provide themselves with business opportunities. It may also have been because the demand exceeded the government capacity to provide or supply. Osman (2014) brings another analysis to privatisation referred to as 'micro privatisation'.

There is a widespread belief on privatisation which, according to Harper (2000:18) is indicative of the fact that "private enterprises are necessarily more efficient than government-owned enterprises". Wang (2013) claims that privatization refers simply to divestment of the ownership of state-owned enterprises and the measure of privatisation is the number of state owned enterprises sold or transferred into the private sector/ownership. Privatisation is not limited to state-owned enterprises and assets. Government service activities are also privatizable and there is a growing interest in the privatisation of other services like health, solid waste collection, prisons and so forth. Privatization generally means transferring the ownership and management of a given activity from the public to the private sector. Some privatization have involved more than simple transfer of ownership which leaves the functions and structure of the enterprise untouched. In some, it is either the provision of infrastructure that is privatized or operations or even both. Some public service providers have dramatically improved the delivery of their services and have often reduced their costs too, by using both or one of the above-mentioned approaches. Governments of all political stripes have embraced privatization at all levels in recent years. Zeckhauser (1989) presents that:

"by and large the British government has simply privatized public monopolies without increasing competition in the industry, but the privatization program has been successful politically because widening share ownership has created a constituency supportive of the program while reducing the public sector's need to borrow" (p. 36).

The government entity moves from a stage of being a department to having the status of an independent agency, or to become a state-owned enterprise or parastatal and then to some form of shared ownership between the government and the private sector to a final complete private owned state. Osman (2014) argues that according to those who advocate privatization as a remedy for public service problems, service delivery becomes better when

it is undertaken by the private sector. However, evidence from experience is not as clear as it was expected to be.

Micro privatization sometimes reduces the pressure for complete privatization as it has the potential for addressing issues of efficiency and thus reduces costs and transfers some risk to the private sector. This is one of the reasons accounting for the adoption the PPP process by treasury. Immediately linked to this is the understanding of the private sector, its characteristics, and its role on partnerships. Notably, there are many different types of entities within the private sector. Some are private solely owned enterprises, acting only in their own interest. Others are co-operatives or formal companies. Their members are sometimes members of the community that need a service or may be others who are looking for employment.

3.4.4 How both private sector and public sector influence each other on PPPs

Harper (2000) refers to partnerships between the public sector and the private sector as micro-privatization to distinguish it from the complete transfer of ownership to a private sector. There are several benefits to a partnership with the private sector such as the management burden gets reduced as the management of the operations would move to a private sector partner with increased cost-effectiveness as the private sector would be expected to bring along more effective systems of managing the business. Thus, government reduces the risk as all risks associated with operations and insurances would be carried by the private partner. Evidently, there is also better service delivery with better capacity from the private sector staff compliment, improved the image and additional income through better service delivery levels and more investment on customer centric processes improve.

Arguably, privatization provides benefits to the public sector such as new jobs are created, there is increased revenue generation, improved image to the community, increased skills, satisfying a need to the community and possible savings on infrastructure costs. Benefits for the clients are more efficient and effective service, availability of the services to all, increased awareness, increased accessibility and increased choice. For these parties from the public sector and the private sector to function together, it requires an effective partnership, hence,

the theoretical background provided in the previous chapter on partnerships. The benefits according to Mohr *et al.* (2008), are that privatisation is positioned to the attraction of foreign direct investments, privatisation will broaden the tax base, and it will increase share ownership in the economy and serve as an instrument of black economic empowerment. Morosini & Steger (2004) argue that privatised firms will not be exposed to greater competition and be more efficient than state owned enterprises. In an extreme case, it may be a replacement of the government monopoly by a private monopoly. While state owned enterprises need to take care of issues beyond their operational areas, the private sector may not be willing to follow the same process and prefers a narrow focus in their own direct interests (Mohr *et al.*, 2008). Having explained the role of the private sector, it is important to analyse the environment and business principles it operates under as it influences the relationship between the public sector and the private sector.

3.5 The role of the Government on Privatisation and its Regulatory Reforms in enhancing PPPs

On the role of the state in providing a healthy environment for private sector participation in development, Bernstein (2010) argues that the endless calls on business to 'do more', promote development, and get involved in social issues often mistake energy for achievement, and assumes that as long as business is doing something, showing good intentions, and feeling guilty about its core money-making activities, this will start a self-sustaining process of long-term community or country development. Bernstein (2010), argues that this is not the case. Some important elements are missing from the dialogue. These include the role of markets in the economy and the role of the state in creating the context for growth and development. This section analyses the role of government in privatisation and the influence of regulatory reforms. Trott (2002) argues that the relationship between the state organisations and private organisations radically differ from one national space to another. National economies tend to be dominated by a form of economic organisation. Eskom in S.A. is a case in point.

According to Trott (2002:29) “selling a monopoly with the prospects of extremely high profits is easy and can command a good price. Secondly, government should set the legislative and regulatory framework for the competitive process company laws involving the certification of accounts, disclosure provisions and the appointment of non-executive directors and auditors.” There should also be legislation preventing collusion between the private sector and the government entity as corruption is an ever-present danger. If it existed in a state enterprise, it is likely to persist when privatised. One may argue that corruption does not matter so much in the private sector because it is the shareholders who lose, not the government, but that takes too narrow a view of the long-term effects of corruption on public morality. Corruption is, in principle, easier to detect and to extinguish in the public than in the private sector. To ensure a meaningful role of government in privatisation, bringing regulatory reforms becomes a necessity.

Regulatory reform is designed to promote competition regardless of whether the industry is in state or private ownership. McAleese (2004:19) argues that “in principle, it is a separate issue from privatisation. Yet, in practice, the reform of government regulation of industries, particularly, state-owned utilities such as electricity, has been associated with the issue of privatisation.” McAleese (2004) argues that deregulation has been applied to many industries in addition to those controlled by state monopolies. Major changes have been made to banks, insurance companies and radio stations. The combined effect of deregulation and technology has opened doors for various new entrants. However, there remains some important sectors where the monopoly proves to be genuinely ‘natural’ and where consequently, the degree of competition is limited. There are two major steps in dealing with such a situation. One is breaking down the service provided by the monopoly into component parts so as to isolate the core natural monopoly element in the industry, and possibly sell them to the private sector. The second step is to deal with the natural monopoly elements. This involves three interrelated strands: pricing, access and quality of the service. McAleese (2004) argues that the public sector is that portion of the economy whose activities (economic and non-economic) are under the control and direction of the state. The state therefore, in this arrangement, owns all the assets under this section and uses them to achieve any goal it may have.

3.6 Organisational leadership

Leadership is the management staff that typically provides inspiration, objectives, operational oversight and other administrative services to a business. Effective organisational leadership can help prioritise objectives for subordinates and can provide guidance towards achieving the overall corporate vision. In general, strategic leaders are tasked with defining and communicating the strategic vision for the organisation as a whole and establishing organisational structure (May, 2011).

3.6.1 The executive leadership within organizations, both private and public

Campbell, *et al.* (2003) argue that as a basic principle, particularly, for a private sector, the board of directors or the highest executive level of an organisation has the ultimate responsibility of ensuring that the organisation is prepared to manage risk. Executives and high-level managers all manage risk. The chair or the chief executive officer (CEO) manages the organisational reputational risk. The chief financial officer (CFO) is responsible for managing the organisation's financial risk. The chief operating officer (COO) deals with operational risk. The chief information officer (CIO) is responsible for the organisations data centre and IT infrastructure risk. Campbell, *et al.* (2003) further assert that with executive leadership more accountable and personally responsible, there is a growing understanding that business continuity and risk management depend on the highest levels within the organisation. A stable effective structure is critical for effective management of this process.

3.7 The role of organised labour in South Africa

Countries the world over have launched ambitious privatisation programs to improve the efficiency of state enterprises, free up resources for social services, and mobilize capital for expansion and modernization (Venter, 2014). A universal concern in this process is the effect privatization has on labour. Venter (2014:23) further argues that "it is important that

governments find ways to deal with labour adjustments and develop a strategy that wins labour support for privatization and creates a social safety net for workers.” Kikeri (1998) avers that employment restructuring is often necessary to improve the efficiency and competitiveness of state enterprises-regardless of whether privatisation is involved or not. However, many observers fear that privatization and the associated efficiency improvements will require large labour force reductions both before privatisation as government cut the workforce and after as privatised firms continue to restructure.

Most public enterprises in South Africa are bound by the central bargaining unit for conditions of service for labour. This is generally the biggest challenge as labour in most government organisations take up to 70% of the operating budget and negotiations from a central point that may not be fully affected, is always a challenge. State-owned enterprises should allow politicians to distance themselves from public sector activities. As a result of this, the independence of these enterprises, is highly emphasised.

Labour restructuring is commonly required before privatization to reflect the change from a government agency to a profit-oriented enterprise. Labour laws should define the entitlement of redundant employees to severance or other benefits, while recognising the right of the employer to recognise the labour force to meet changing needs. The critical factor in this instance is the open communication with organised labour as the critical stakeholder.

3.8 The role of communities neighbouring the project

In undertaking any PPP project, as argued by Cane (2014:22) “it must be understood that partnerships rarely occur without an external impetus.” PPPs must, therefore, be facilitated through processes aimed at translating the desires of stakeholders into desired partnerships (Cane, 2014). Such processes or programs need to be rooted in local circumstances and comprehensively understood by representatives of all stakeholders. Communities

neighbouring the PPP project areas play a crucial role in enhancing the success of the project. These communities are generally linked to employees that would have worked for the state enterprise and are moving over to a private enterprise. Barclay *et al.* (2007:33) argue that “leading practice requires a deliberate and dedicated effort by the partnership to continue to engage with indigenous communities to realise the mutual benefits of a trusting and respectful relationship.” This is not only a corporate, moral and social responsibility, it also makes good business sense (Barclay, *et al.* 2007).

3.9 Financial Institution

Available funding for infrastructure from traditional sources falls far short of investment needs. However, according to Akintoye (2009:41) “the state shall not be solely responsible for resolution of problems connected with the financing of projects.” The objective would include the mobilization of private investments for infrastructural development. Financial structuring of the project relies on a careful assessment of the construction, operating and revenue risks and seeks to achieve optimum risk allocation between the private partners to the transaction. Yascombe (2007) argues that implementation of projects under the conditions of public private partnership (PPP) is a promising mechanism for attracting private funds. PPP is a legally executed mutually beneficial cooperation of public bodies and authorities with business entities in respect to projects that are in the field of direct state interest and control for a certain period of time. In practice, this means limiting risks to senior lenders and allocating this to equity investors, subcontractors, guarantors and other parties through contractual arrangements of one kind or another (Yascombe, 2007).

3.10 Summary

This chapter has provided the theory behind the enablers to effective implementation of the public private partnership procurement process. It analysed business continuity initiatives as a causal factor to a change for any strategic direction and compared the views on what

influences or the influence that policy frameworks and legislative framework theory has on the public private partnership procurement process. This chapter, as covered in the summary diagram, also analysed the theory behind corporate funding strategies and the theory behind the development of an agency theory which seem to have influenced or provided the guideline on how public private partnerships are to be used as a procurement method. This chapter also closed by analysing the enabling influence of expertise and knowledge, procurement period, complexity of bidding, transaction costs, lengthy negotiations, privatisation, the experience of the public sector, the influence of the corporate culture on the public private partnership procurement process and also analysed the different role players and actors and their influence on the public private partnership procurement process. The next chapter is not part of the literature review, but despite this, it provides issues of practice that have a great influence on the evaluation of the public private partnership procurement process.

CHAPTER FOUR

CURRENT PRACTICE ON TOURISM PPP PROCUREMENT PROCESS

4.1 Introduction

The previous chapter analysed the enabling environment focusing on the theory that drives the enabling strategy, funding initiatives and role players within an effective implementation and management of public private partnership procurement process. On opening parliament

in June 1999, the President of South Africa set the platform for accelerated service delivery and identified a greater role for PPPs in particular, a National Tourism Growth Strategy (2011). The tourism growth strategic framework, according to the National Tourism Growth Strategy (2011), further addresses the main area of concern raised during the parliamentary debate in 1999 and identified a package of integrated reforms required to strengthen the enabling environment in support of PPPs. Acknowledging that PPPs can be attractive to investors and the very name suggests a spirit of cooperation between the private and public sector and the challenges faced by government entities in terms of shortage of funding for huge infrastructure projects, the public private partnership process has received the most attention from government entities, (Wahba & Stanley, 2011). However, they are mistakenly believed to be addressing all the financial issues. “A PPP is not a defined mechanism with pre-set parameters, but it is simply a facilitator wherein two parties can explicitly identify their objectives,” as argued by Wahba & Stanley, (2011:74).

This chapter focuses on expounding and analysing the current practice on public private partnership procurement practices as mainly undertaken within government entities. It focuses on the implemented legislative framework which supports the public private partnership procurement process and analyses the implemented treasury approval process on tourism public private partnerships, and finally, critically analyses the influence of the tourism industry strategic direction and its influence on tourism development. In analysing the public private partnership process, the study refers to the Nigerian experience in implementing public private partnerships. As covered in the summary diagram (figure 4), this chapter provides a broader understanding of the concepts analysed and supports the study with both theoretical and practical information. Though in this chapter, the perspective is based more on practice, and it provides a better understanding on why things are done in a particular way within government entities. It also provides the phases that act as a guide in embarking on this procurement process. In embarking on all procurement processes, government entities are guided by the strategic framework, policy dimension and the legislative framework. As part of further enhancing clarity on issues of practice, this section presents and assesses how these three elements have influenced the development of the PPP as a procurement method.

4.2 Legislative framework, policy dimension and strategic framework

This section analyses the legislation governing the public private partnership procurement process, the strategic framework and practice or policy issues that necessitated this process. It also provides the phases that act as a guide in embarking on the procurement process being assessed. The challenge of implementation was prior to 1999, the absence of a regulatory framework and a formal policy for the financial management of PPPs which necessitated the need for it to be addressed urgently. For any government entity to engage in PPPs as a strategy, it has to develop a policy that will guide this process. Policies have to be aligned to the legislative framework in order to be adopted and implemented. In embarking on all these elements, government entities are guided by the strategic framework, policy dimension and the legislative framework. To further clarify issues of practice, this section looks at how these three elements have influenced the development of the PPP as a procurement method. Though this content section on legislative framework, strategic framework and policy dimension is based on practice, it provides an explanation on why certain activities are done in a specific way within government entities. It also assists in enlightening us about the theoretical framework that shapes the practice.

This section covers the strategic and legislative framework, and the policy dimension and predominantly analyses how Thompson Jr., Strickland III (2003), Robinson (2010), Thompson, Strickland and Gamble (2008) and Treasury's strategy document present these elements. Thompson, Jr. and Strickland III, (2003: 56) argue that "a company's strategy is the game plan management is using to stake out a market position, conduct its operation, attract and please its customers, compete successfully and achieve organisational objectives." In crafting a strategy, management is saying in effect, among all paths and actions we could have chosen, we have decided to move in this direction, (Thompson, Strickland & Gamble, 2008). Watters, et al. (2014) assert that closely related to the concept of strategy, is the concept of a company's business model which is a term widely applied to management's plan for making money in a particular business sector. Zein (2016) asserts that more formally, a business model deals with the revenue-cost-profit economics of the company's strategy. The fundamental issue is whether a given strategy makes sense in terms of the competitive advantage and business approaches (Blakely & Leigh, 2010). Common drivers to a strategy

are business continuity, service delivery and job creation which are the key focus in a South African context. One's strategy should directly support and drive forward a business strategy. An effective business strategic framework begins with an effective framework that lays down the boundary conditions for business. To this end, an effective policy framework becomes a critical component.

According to Waddell (2005), the effectiveness of the policy framework influences the outcome of a policy guiding the development of the public private partnership procurement process. This, however, depends on the key ingredients such as policy theory, company objectives, the institution involved and policy environment. Kerzner & Belack (2010) assert that understanding the policy environment is fundamental in developing and implementing policies. The policy theory and objectives become the guiding elements in formulating the framework and developing the policy. All policies are based on the concept of moving from one particular situation to the desired state and every policy implies a theory or causal relationship. An effective policy formulation requires two things. Firstly, it requires understanding the nature of the problem and secondly, it requires identifying the relevant theory or theories relating to how the problem will be solved. Robinson (2010) asserts that the effective policy should encourage the movement from bad to best procurement practices for the public private partnerships. Based on the above discussion it is clear that without the alignment of a strategy to support the new strategic direction and the amendment of the legislative framework and policy dimension, the intended public private partnership procurement may not be possible to effectively implement in South Africa and other cases. With the aligned strategy, amended legislative framework and policy dimensions, the driver or supporting section or department becomes critical for effective implementation. This leads to the establishment of the public private partnership dedicated unit provided with expertise and knowledge to support the process as one of the enabling elements. However, this section would operate within a specific tourism mandate within the industry.

4.3 Tourism mandate and the tourism industry in South Africa

Tourism is, according to the South African Local Government Agency, (2015:20) “a Local Economic Development directive that is mandated by the South African Constitution, 1996, and the Tourism Act, 1993”. Local government is thus mandated to support tourism development through planning, facilitating and monitoring activities. The White Paper on the Promotion and Development of Tourism in South Africa reflects tourism as a concurrent function, meaning that all spheres have a role in tourism development, (South African Local Government Agency, 2015). The South African National Department of Tourism (2011:12) “recognizes Local Government as the key partner/stakeholder in growing tourism and achieving its outcomes,” that is, job creation and increasing localized businesses. The tourism mandate within the strategy enabled the industry to align its own strategies accordingly, (S.A. National Department of Tourism, 2013). In respect to GDP contribution, (STATS SA), tourism industry establishments whose principal productive activity is an activity characteristic of tourism, i.e. accommodation establishment, tour operators, travel agencies, accounts for the direct impact (Department of Economic Development, Tourism and Environmental Affairs, 2015).

Tourism has been a major social phenomenon driven by the natural urge of people to participate in new experiences, adventures, education and entertainment which in turn, are informed by individual, social, cultural and business interests, (National Tourism Growth Strategy [NTSS], 2011). While there has been a number of tourism initiatives over the years, from both the public and the private sectors, there has not always been a single vision and a coordinated approach to implementation, (Department of Economic Development, Tourism and Environmental Affairs, 2015). The definitions used to describe a tourist or tourism, are often inconsistent and this leads to confusion (Blakely & Leigh, 2010). The differences between these terms that are most often used is clear when one goes through the definitions within the tourism industry, that is, those formulated by Statistics South Africa (STATS SA), and the United Nations World Tourism Organisation (World Travel and Tourism Council, 2017). What makes tourism one of the key influences on the economy is that “it concerns all the activities which the supply of goods and services directly or indirectly to tourism final demand, the relative significance of each activity being determined by the value of goods or

services supplied,” (National Tourism Growth Strategy 2011: 12). A tourism industry is simply defined by Smith (1989:14) as “a group of several related industries; that is transportation, accommodation, food, services, attractions and events and retail activities”. This industry is often welcomed as an industry bringing desperately needed foreign exchange, employment and a modern way of life. It is, therefore, a combination of different service industries which provides services for a wide range of needs. It is not just one industry, hence, the impact on it has huge socio-economic implications.

Tourism, as experienced at the local/community level, is defined as the industry made up of those firms and establishments which deal in the supply of tourist needs, (KwaZulu-Natal Department of economic Development, Tourism and Environmental Affairs, 2016). Places such as restaurants and souvenir shops, are wholly or mainly, dependant on tourism for their business. The beneficiaries of tourism can be divided into two categories, namely, direct and indirect, (World Travel and Tourism Council, 2017). The direct beneficiaries are those who receive the visitor spending from the tourist such as hoteliers, transport operators and retailers, (www.tourism.gov.za). The indirect benefits of tourism expenditure are received as a result of the consequent diffusion of the financial receipt by the direct recipient, (Domestic Tourism Growth Strategy, 2015). The contribution of tourism to the economic development of countries cannot be over emphasized. In most developing countries, tourism is the biggest earner of foreign exchange. Tourism is, therefore, a very important tool for regional development.

According to the KwaZulu-Natal Department of Economic Development, Tourism and Environmental affairs, (2015) there are six constraints within tourism, namely:

- “The fact that tourism is not adequately resourced and funded,
- Limited integration of local communities,
- Inadequate tourism awareness and education,
- Poor service, lack of inclusive and effective national, provincial and local structure for the development, management, promotion and synergies in the tourism industry,
- Lack of infrastructure in the rural areas,
- And growing levels of crime and violence targeting visitors” (p.20).

Furthermore, the National Tourism Sector Strategy Document (2011), identifies trends impacting on tourism.

- The first is the economic trend which relates to the fluctuating state of economies which affect travel demand (high fuel and electricity costs), interest rates influencing disposable income, and increasing the demand for the benefits from tourism resources by host communities.
- Secondly, political trends; political stability affects travel choices and decisions.
- Thirdly, legal trends where the legislative environment like the Consumer Protection Act, imposing obligations on destinations, and products and raising expectations on tourism.

However, there are also five enablers to tourism, namely; infrastructural development – roads, water and electricity, easy access to destinations – clear signage, integrated transport system-interlinks, awareness of/about facilities and safety and security (KwaZulu-Natal Department of Economic Development, Tourism and Environmental affairs, 2015).

4.4 Position and elements of the tourism growth strategy

To translate the statement by the President of South Africa, on opening parliament in June 1999, as mentioned earlier, according to the National Tourism Growth Strategy (2011: 12) “the strategic framework addresses the main area of concern raised during the parliamentary debate in 1999 which identified a package of integrated reforms that will be required to strengthen the enabling environment in support of PPPs.” The National Tourism Sector Strategy Document (2012) identifies five challenges that the South African tourism sector is faced with. One of the challenges is the lack of incentives for tourism product diversification, new investments and enterprise development. PPPs are seen as the vehicle for addressing new investments.

PPPs are seen as the vehicle for addressing new investments and thereby operate towards overcoming a key tourism challenge. Furthermore, the domestic Tourism Growth Strategy Document (2012-2020) highlights a partnership between the government, the private sector

and communities as one of the underpinning principles for domestic tourism growth strategy. The Tourism Growth Strategy Document (2012-2020) further highlights that “PPP’s are an integral component of the state’s overall strategy for the provision of public services and public infrastructure across all the sectors.” However, this does not suggest that public private partnerships are the best alternative for improving the service delivery standards. On the contrary, they enjoy the same status among a variety of possible service delivery options available to government departments.

The domestic Tourism Growth Strategy Document (2012-2020) highlights that a partnership between the government, the private sector and the communities as one of the underpinning principles for domestic tourism growth strategy. As stated in KwaZulu-Natal Department of Economic Development, Tourism and Environmental affairs, (2015)

“PPPs are an integral component of the state’s overall strategy for the provision of public services and public infrastructure across all sectors. This does not imply that PPPs are the preferred option for improving the efficiency of service delivery” (p.26).

Rather, that they enjoy the same recognition among a number of possible service delivery options available to the departments within government. The challenge on implementation was, prior to 1999 with, “the absence of a formal policy and regulatory framework for the financial management of PPPs which necessitated the need to be addressed urgently,” (Gopalan, 2013:16). For any government entity to engage in PPP’s as a strategy, they have to develop a policy that will guide this process. Policies have to be aligned to the legislative framework. Hence, regulation 16, issued in terms of the Public Finance Management Act no 16 of 1999 was enacted, (S. A. National Treasury, 2002).

4.5 PPP practice in South Africa

As stipulated by Treasury Regulation 16, (Public Finance Management Act no 16 of 1999, para, 20) “South Africa has established a firm regulatory framework for national and provincial institutions to enter into public private partnerships.” Furthermore, the “National Treasury PPP Manual and Standardized PPP Provisions have been issued as PPP practice notes in terms of section 76(4) (g) of the PFMA to make the application of the PFMA and its regulations

easier,” (KwaZulu-Natal Department of Economic Development, Tourism and Environmental affairs, 2015, p.30). The introduction of PPPs in 1997 necessitated some reforms to the legislative framework to mitigate some of the identified challenges, (S. A. National Treasury, 2002). Measures considered included “selective reform of relevant laws, regulations to clarify the interpretation of the legislation, and/or administrative guidelines,” (Public Finance Management Act No 16 of 1999).

4.6 South African policy definitions of private public partnership

According to the Review of the Treasury PPP Manual (2005) a PPP is defined as a contract where a private party performs an institutional function and/or uses a state facility for commercial reasons. However, according to the Review of the Treasury PPP Manual (2005) version 2:

“Since government can normally borrow more cheaply, the gains from the private operator’s efficiency must exceed the difference in borrowing cost if a PPP project is considered. The real benefit of PPP’s is the value for money derived from the operational and strategic benefits mentioned above” (p.14).

These conditions, according to the National Treasury PPP Manual (2002) Version 2 are not, however, inevitable, but are dependent on at least three conditions namely, an operational need for the private sector’s skill to deliver the service; secondly, an identifiable market of private sector bidders prepared to compete for the project; and thirdly, the appropriate allocation of risk.

According to National Treasury PPP Manual (2007: 43) Version 2 “for PPPs to be approved by any relevant Treasury, they must demonstrate affordability, value for money and the transfer of appropriate financial, technical and operational risk to the private sector.”

The PPP Practice Notes issued by Treasury in relation to PFMA No. 16 of 1999 (PPP Manual 2005) confirm that legislative amendments were already necessary in the context of prison PPPs. This is, according to the PPP Practice Notes issued by Treasury in relation to PFMA No. 16 of 1999 (PPP Manual 2005:16) “where the Correctional Services Act had to be changed in order to permit private parties to manage and operate prison services in the country.”

Interventions to address sections such as legal capacity, spheres of government' jurisdiction and competent officials to create a strong commitment on the government, had to be developed. This also, according to the PPP Practice Notes issued by Treasury in relation to PFMA No. 16 of 1999 (PPP Manual, 2005), include prescribing cross-sectorial minimum contractual provisions for PPPs to cover, among other things, the duration of the contract, range of services and/or output levels, the basis of payment in relation to service and output level, the relationship between the department and service provider, accommodation of a department's changing requirements over the duration of the contract, and allowances for contingencies and termination. Included within the environmental legislation, was, as stated in (PPP Manual 2005: 42) "the provision that dealt fairly with the cost implications of making non-compliant infrastructure and the responsibility for compliance when that infrastructure is transferred to the private sector." All these regulations are covered within the Public Finance Management Act No 16 of 1999. There is a need and responsibility to ensure that steps being taken will result in the organisation being better prepared and more capable to maintain the best practices, hence, regulations are created and enforced by regulatory bodies such as the National Treasury PPP Unit, (Treasury Regulation 16A 9.1 – 9.3 of 1999).

"The Public Finance Management Act's approach to financial management focuses on outputs and responsibilities and is a cornerstone of the government's strategy to improve financial management in the public sector and to ensure that in spending tax payer's money, it produces the intended results," (Treasury Regulation 16A 9.1 – 9.3 of 1999). The Public Finance Management Act No. 16 of 1999 makes the Departmental Head, the accounting officer and the Boards of Schedule 3 Public Entities, the accounting authorities which are accountable for sound financial management strategy implementation. Both the accounting officers and the accounting authorities are answerable to their political principals (legislature or parliament) for the management of their budget and the state property under their care to achieve their public mandate. These officials, as expected by PFMA, "need to evaluate constantly value-for-money choices. A Public Private Partnership choice for the use of state property for private commercial purposes, such as tourism PPP, warrants this kind of evaluation. The various phases of a PPP procurement process are designed to ensure that an accounting officer or accounting authority complies with his or her PFMA obligations" (Treasury Regulation 16A 9.1 – 9.3 of 1999).

Specific guidance is invaluable when a new improvement program is being developed and implemented. There is need and responsibility to ensure that steps being taken result in the organisation being better prepared and more capable of maintaining the best practices. Hence, regulations are created and enforced by regulatory bodies such as the National Treasury PPP Unit.

The Public Finance Management Act No.16 of 1999 “provides that the National Treasury must make regulations for a range of matters to do with the effective and efficient management and use of financial resources” (PFMA of 1999: Section 76). Many of these issues are critical to public private partnerships. Kildow (2011) argues that regulations require compliance and failure to comply results in penalties or sanctions. Typically, regulations are very specific in nature and are usually mandatory and punitive. Hence, Section 16 of Treasury Regulations dealing with Public Private Partnerships for national and provincial departments and Schedule 3 public entities was issued in terms of the Public Finance Management Act of 1999 (Government Gazette No. 23463 of 25 May 2002).

The Minister of Finance has, “in terms of section 76 of the PFMA, amended the Treasury Regulations that were published in Government Gazette No. 22219 dated 9 April 2001 as set out in the Schedule published in Government Gazette No. 23463 dated 25 May 2002,” (South African National Parks, 2005: 20).

According to the National Treasury PPP Practice Note Number 01 (2005) Treasury Regulation 16 to the PFMA defines a PPP, sets out the phases and tests it will have to go through and provides precise and detailed instructions for the PPPs. Treasury Regulation 16 as well as the National Treasury PPP Practice Note Number 01 (2005) state that the PPP procurement process further requires that the relevant treasury gives various approvals at certain crucial stages which ensure that the three tests (affordability, value for money and appropriate risk transfer) have been passed and that the PPP project cycle has been complied with.

The National Treasury PPP Practice Note Number 01 (2005), continue and state that:

“While PPPs can achieve greater efficiency in the use of public resources, they can also negatively affect public financial management if they are not properly conceived, structured, implemented and monitored. The Treasury Regulations ensure that financial consequences of such arrangements do not impose adverse risks on the budget” (p.9).

In addition to the PFMA and Treasury Regulation 16, there are many other laws and regulations which are relevant to the tourism PPPs. The National Treasury PPP Practice Note Number 01, (2005:92) provides “the specific statutes which govern the particular institution (such as the World Heritage Convention Act, 1999, which applies, among others, to the Greater St Lucia Wetland Park; and the Western Cape Nature Conservation Board Act, 1998, which applies to Cape Nature), are given as examples. The National Treasury PPP Practice Note Number 01 further states that “other statutes are of general application, such as the National Environmental Management Act: Protected Areas Act, 2003, as well as a range of heritage and environmental legislations” (S.A. Department of National Treasury, 2005). The next important step was to allocate the PPP to a relevant department that would be the regulator and thus guide the process.

At present, all PPP processes and approvals are given by the National Treasury. However, Treasury Regulation 16 allows this authority to be delegated to provincial treasuries. The practice applied by treasury to enhance this process, is to allocate a National and a Provincial support individual from their teams, to support all registered PPP projects. It was proposed by the Finance Ministry that a dedicated Public Private Partnership Unit be established to promote PPPs effectively in conforming to the institutional principles highlighted. The key objective for the Unit was to address constraints in the enabling environment and facilitate successful implementation of affordable PPPs that represent value for money to all the stakeholders. The core functions required to meet this objective entails technical assistance, support, enforcement, monitoring the government’s PPP strategy to the department (National Treasury PPP Manual 2002, Version 2).

The following are the stages after inception: Treasury Approval I, Treasury Approval II and Treasury Approval III.

According to Wahba & Stanley (2011), PPPs are a contractual arrangement between a public-sector entity and a private sector entity whereby the private sector performs a departmental function in accordance with an output-based specification for a specified significant period of time in return for a benefit which is normally in the form of financial remuneration.

Wahba & Stanley (2011), further argues that, public private partnerships further involve a substantial transfer of all forms of project life cycle risk to the private sector. The public sector

retains a significant role in the partnership project either as the main purchaser of the service provided or as the main enabler of the project. According to the PPP Manual (2004: Version2), “the Treasury’s role is to ensure that PPP projects reflect a prudent use of state resources (i.e. that they are affordable and provide value for money).” The regulations and the guidelines’ role in the process, as stated in (Wahba & Stanley, 2011:22) “is to facilitate departments and the Treasury to play their respective roles throughout the PPP project cycle.” This led to the development of the public private partnership project approval phases. These phases have the project inception stage as a preparatory stage followed by the three Treasury Approval stages. These stages are discussed below (Treasury Regulation 16A9).

4.7 Dedicated PPP Units, Expertise and Knowledge

This section defines the PPP unit as a dedicated unit and analyses how other developed countries have undergone this process and highlight lessons learnt. The section further analyses the expertise and knowledge needed to skill this unit for effective support to the process. A Public Private Partnership Unit is defined by Robinson (2010) as:

“any organisation designed to promote, improve public private partnerships and tries to attract more public private partnership and to ensure quality standards such as value for money, affordability and appropriate risk transfer are met” (p. 185).

Robinson, et al. (2010) argues that specialist PPP unit is one of the key components of the United Kingdom government’s policy and strategic framework to implement PPP projects. Other developed countries such as Canada, Australia, the Netherlands and Ireland introduced similar institutional structures. Specialist units have also been introduced in developing countries in Africa. The World Bank noted as early as 2006, that these specialist units tend to be attached to the Treasury section, within Finance Ministries worldwide. Noting that there is continuous debate on where these specialist sections should reside, the valuable support they provide to government departments is noted. Robinson, et al. (2010) argues that these units are often responsible for implementing and advising on the PPP process. However, the nature and role can vary depending on the countries’ situation, strength and strategy for PPP projects. According to the World Bank (2007:39), “the objective of the PPP unit is to filter out fiscally irresponsible PPPs while creating a structure for PPP that would reassure a private

investor despite it being a fine filter.” In Australia, the objective is to improve the quality of infrastructure and to ensure that PPP provide for optimal risk transfer, maximise efficiency and minimise whole life costs. The main activities for the PPP unit include economic evaluation of the project, evaluation of investment proposals, feasibility studies and bid documentation and concession agreements. It is important to note that the position presented by Robinson (2010) and the World Bank Position Document (2007) state that the core function of any PPP support unit is to provide for optimal risk transfer, maximise efficiency and minimise whole life costs of a project for the private and the public sector, but with a special interest in protecting the public sector. In evaluating how South Africa embarked on this process, which is covered within the Practice Chapter, it is evident that these principles influenced the South African Treasury Department in developing and implementing these processes. As supported by Robinson, et al. (2010), the next critical element to analyse in this process and this special unit is expertise and knowledge.

A key enabling element for the special PPP units is the level of knowledge in managing PPP projects in the public and private sector organisations. Robinson, et al. (2010) argues that public private partnership is a relatively new form within the procurement processes. This leads to many organisations vying for staff with public private partnership procurement expertise. This is much more the case with the public sector as there are few projects that have been taken up using this procurement process. They mainly rely on the transaction advisor team with their technical, financial and legal expertise. The other biggest contributor is the staff turnover within the public sector (Robinson, 2010). There is evidence in the United Kingdom that the lack of knowledge and expertise within the public private partnership process has undermined the implementation process of programmes. The knowledge and expertise within a dedicated unit provides a further critical element for effective implementation which is the provision of a strategy supportive corporate culture. This, therefore, means that expertise and knowledge excels within a strategy supporting organisational culture. Hence, an analysis on how the strategy supportive of corporate culture influences the effectiveness of this unit is critical.

4.8 Project Approval Processes

There are many activities associated with the planning and development phase but the key deliverables are the needs assessment, development of the strategic business case and the readiness for procurement. The initial phase is the crucial phase as it determines whether the process can go forward. The first phase, therefore, in the planning and development phase, is to put the appropriate organisational structure in place. Recognition of the structure as an official structure is when it is approved by the respective Member of the Executive Committee from the political structure (MEC). This then allows the project inception stage to start.

4.8.1 Project inception stage

According to the National Treasury Public Private Partnership Manual (October 2002: Version 3) and as provided in the Government Gazette (25 May 2002 No. 23463) as a principle for control, “only an accounting officer or an accounting authority may enter into a PPP agreement on behalf of the organisation.”

According to the National Treasury PPP Practice Note: Number 01 of 2005:

The accounting authority may not proceed with a PPP without the prior written approval of the National Treasury; or the relevant provincial treasury, if it is a provincial institution and the National Treasury has, in terms of section 10(1) (b) of the Act, delegated the appropriate powers to the provincial treasury.

Upon identifying the PPP project, the institution through the accounting officer and the accounting authority, is expected to inform the relevant treasury in the form of an application to registering the project as a PPP. As part of the application, the institution informs the treasury of the expertise within the institution. If the relevant treasury so requests, the institution appoints a specialized consultant for this purpose-referred to as a transaction advisor. The organisation must also appoint the person to manage the project, preferably from within the organisation that is capable and qualified to manage the project.

According to Treasury Regulation, (PFMA No 16 of 1999: module 3) “a transactional advisor means a person appointed in writing by an accounting officer or accounting authority of an institution, who has or have appropriate skills and experience to assist and advise the institution in connection with PPP, including the preparation and conclusion of a PPP agreement”. The South African National Treasury (National Treasury PPP Manual 2002:21) Version 2 defines it as “a consortium of professional consultants, from one or more firms, who work as a team”. The transactional advisors are contracted with the organisation through the principal or lead firm. Members of the consortium participate via a joint venture arrangement or by being subcontracted with the lead firm. Once these elements are in place, the transactional adviser is ready to embark on the feasibility study stage.

4.8.2 Feasibility Study: Treasury Approval 1

The PPP practice notes, (section 76 (4) (g) of the PMFA), presents that to determine whether a proposed PPP is in the best interest of an institution, the accounting officer or the accounting authority must undertake a feasibility study that explains strategic and operational benefits of the PPP agreement for the institution in terms of its strategic objectives and government policy.

A written application, for the feasibility study approval Treasury Approval 1, (S. A. National Department of Treasury, 2006: 20) “must be submitted to the relevant treasury together with the feasibility study containing a brief sector needs and options analysis, and priority ranking of the PPP being proposed on the basis of the analysis.” According to of the PFMA No. 19 of (1999: Section 76(4) this should cover the demonstration of affordability; risk transfer and an initial indication of how value for money will be realized and the institutions arrangements for monitoring the implementation of the PPP as a project.

The institution may not proceed with the PPP procurement phase without the feasibility study having been formally approved, (S. A. National Treasury PPP Toolkit, Module 3, 2005).

4.8.3 Procurement – Treasury Approval II A and II B

At the start of the procurement phase, the feasibility study is now complete and approved. According to of the PFMA No. 16 of 1999 Section 76(4) prior to the issuing of the procurement documentation to any prospective bidders, the institution must obtain approval from the relevant treasury for procurement documentation, including at least the main terms of the proposed agreement, the aspects of affordability, value for money and the risk transfer.

The procurement procedure, (Gopalan, 2013), must be according to a system that is transparent, competitive, fair, equitable, and cost effective. The National Treasury PPP Toolkit for Tourism, module 3 (2005:1) states that “there are five stages to the procurement phase for large capital tourism PPP projects, namely; request for qualifications and treasury approval II A; request for proposals and treasury approval II A; evaluate bids, choose the preferred bidder and get treasury approval II B; after the evaluation of the bid, but prior to appointing the preferred bidder, the institution must submit a report for approval by the treasury. If approved, the treasury should refer to this as treasury approval II B.

4.8.4 Agreement: Treasury Approval III

The next stage of the partnership application process is negotiations, getting Treasury Approval III and signing of the Agreement. According to the Domestic Tourism Growth Strategy (National Department of Tourism, 2011:31) “public private partnership (PPP) agreement management enables both parties to the contract (the private party and the institution) to meet their respective obligations.” The central aim of the agreement management is to ensure that the project continues to be affordable and provides value-for-money outcomes for the institution, and that the private party continues to manage the project risk. This section has expounded the legislative framework that guided the strategic framework and the policy dimensions. Views from the Domestic Tourism Growth Strategy by the National Tourism department (2011) have also been covered to expound the broad spectrum of disciplines considered in developing the process. It also covers the influence of the Public Finance Management Act 19 of 1999 and highlights other related regulations.

4.9 The Nigerian Case Study in Implementing PPPs

Procurement and the maturity of markets are connected in terms of considering what regulation, legislation and procedures might be most appropriate to ensure that suitable levels of competition are achieved, but that sustainable results can also be delivered. In Nigeria, an alternative view to the regulated public procurement marketplace emerged. The Nigerian government commissioned the World Bank to review financial regulations and procurement procedures which resulted in the country's procurement assessment report. This led to the introduction of the public procurement regulations in 2000 to improve the efficiency, reliability and transparency of public procurement. This was designed to counter the very poor reputation that the country had for inefficiency including corrupt procurement practices that were considered detrimental to Nigeria in terms of reforming and developing the economy. Interestingly, in 2010, there were calls for such laws to be scrapped and to allow the economy to develop because the regulations had added bureaucracy when trying to develop and improve the nation's infrastructure. In Nigeria, some critiques claim that Nigeria cannot afford these procurement regulations. It is more suitable for more developed and mature countries with a developed infrastructure.

4.10 Summary

The intention of this chapter was to expound and analyse the current practice of the public private partnership procurement process as mainly practised within government entities. This section, as part of the theoretical framework, has dealt with the concept of business continuity as the starting point or reason for organisations to embark on any improvement project. It also discussed procurement as the centre of this study and thus explored project financing as the underlying factor for the PPP procurement process. It has focused on the implemented legislative framework to support a public private partnership procurement

process, it analysed the implemented treasury approval process in tourism public private partnerships, and finally critically analysed the influence of the tourism industry strategic direction and its influence on tourism development. It also explored project financing as the underlying factor for the PPP procurement process. In analysing the public private partnership process, the study referred to the Nigerian experience in implementing public private partnerships. Moreover, it also clarified though briefly, the influence of certain terms like state-owned enterprises, privatization, participation and partnership as interrelated concepts within the PPP procurement process. The above background, practice or policy and the theoretical framework, laid the ground work for the broader discussion of the central concerns of the study. The next chapter probes into the research methodology that was followed in conducting this study.

CHAPTER FIVE

RESEARCH DESIGN AND METHODOLOGY

5.1 Introduction

The previous chapters have provided the background to the study by addressing the purpose, theoretical framework and practice. Ruggs & Petre (2010) argue that once the researcher is sure of the problem and the area of research, the researcher must figure out what sort of design will give the most solid answer to the research question. These authors concede that there are numerous research designs which fall into a limited number of main types, each

with its advantages and disadvantages (Ruggs & Petre, 2010). Edmond and Kennedy (2013) argue that the overarching goal of research methodology is to reach a valid outcome based upon the appropriate application of rigorous methods. Hence, there is emphasis on the appropriate application of rigorous methods. Within the wider scope of methodology and research design, this chapter provides the methodology that was used to gather, analyse, present and interpret the information collected.

Vanderstoep and Johnson (2009) provide five steps that a researcher should consider when planning the methodology for research. Their steps are 1) deciding on what sampling procedure to use; 2) what instrument to use for collecting data; 3) how data will be collected; 4) how data will be analysed and, 5) look at the criteria for evaluation that is specific to the objective of qualitative analysis. The present section describes the main criteria for adopting a certain methodology among the wide variety of alternative methods for investigation. The chapter describes various types of research followed by describing the research method and the role of variables. This is followed by the explanation of the role and use of sampling in research. This chapter also explains the use of instruments to collect data, and how the reliability and validity of the instruments can be tested. Finally, the discussion focuses on setting questionnaires, collecting data from the sample and finally how the analysis was done. Overall, this chapter discusses the research methodologies, designs used in the study including strategies, instruments, data collection and data analysis methods.

5.2 Research Methodology and Design

All research is based on some underlying philosophical assumptions about what constitutes 'valid' research and which research method(s) is/are appropriate for the development of knowledge in a given study. It is, therefore, important in conducting and evaluating any research, to know what these assumptions are, (Swanborn, 2010). Edmond and Kennedy (2013) argue that research design can be thought of as the logic or master plan of a research study and it throws light on how the study is to be conducted. Creswell (2014) argues that:

“No single research design or method is the most appropriate choice for studying any particular research problem, for there is a wide range of criteria that may be used in choosing which approach to use” (p. 37).

This section begins by briefly describing the research type and approach adopted for this study of the PPP procurement method. Bajpai (2011) presents an argument on two types of research, i.e. fundamental, basic research and applied research. Fundamental research is mainly concerned with generalisations and with the formulation of a theory and defines applied research as a type of research that aims at finding a solution for an immediate problem facing a society, or an industrial/business organisation. The difference between fundamental research and applied research is that applied research can be applied to related issues, whereas fundamental research studies are used simply to explore certain issues and elements. The difference in purpose is that applied studies are closely associated with the solution of a specific problem while fundamental studies relate to creation of new knowledge or the expansion of current knowledge. This study is designed as applied research. However, the information generated from the data and analysis, not only addressed the applied problems associated with PPP procurement, but also contributed to the expansion of current knowledge on PPP's as a procurement process. Although the information generated was, by design, used to contribute to the body of knowledge, the proposed guideline was used to solve procurement problems or contribute to the evaluation of the procurement PPP program, hence data collection was conducted within organisations. Therefore, this linked the process to applied research. As it is presented by Vanderstoep and Johnson (2009) it is a process that focuses on outcomes-solving problems or evaluating a program. Vanderstoep and Johnson (2009) argue that applied research is conducted more in organisations or communities. As part of the guide to the strategy, the view was that it would also be applied research as the information to be collected could be applied immediately. In this research, however, there was limited interaction with the participants in the field as it focused on project team leaders because of the expected level of contribution to the body of knowledge. The researcher thus had to select the most appropriate process approach, within applied research.

The three most basic approaches to social research are surveys, field studies and case studies. The reasons for the selection of the most appropriate approach for applied studies are provided below. The first approach is the survey approach. Survey research is one of the most

important areas of measurement in applied social research. Survey research has an advantage of sampling a large group of randomly selected people. It has relatively lower costs on time and money and provides several options for administering them. The most common survey method is telephones, mails, e-mails and face-to-face interviews. This type of research employs questionnaires that allow the researcher to gather data by mail, telephone, online, face-to-face interviews, usually from a large sample of participants. Descriptive research, using surveys, describes the attitude and behaviour observed. The second potential research design is the field study approach. Research through field study designs involve observation and measurement of naturally occurring phenomena for which there are no known natural or experimental controls, (Bajpai, 2011). Field studies can consist of a combination of conventional methods (case studies, questionnaire surveys, and archival data) conducted under naturalistic conditions over a period of time. Among the strengths of a field study, is that the dependant variables are systematically measured in the context of a natural setting. Field studies can provide insight into the phenomena as they ordinarily occur (Maree, 2016). As for weaknesses, field studies do not allow the researcher to isolate specific processes and influences among a range of alternate explanations. (Maree (2016:36) is thus of the view that “field studies are weak in internal validity”.

The third design option is the case study. Creswell (2013) describes a case study approach as a descriptive type of a research undertaking in which individuals, groups or organisations are interviewed or observed or various types of archival records are examined. The case study may often be more qualitative in approach, or may freely be quantitative and qualitative, or seek triangulation of the findings. Creswell (2013) asserts that most case studies are conducted to improve action and thus, make better decisions. Most of the time, the case study approach is chosen in research fields where the biographic, authentic and historic dynamics and perspectives of real social or natural systems are considered. In business, the case study approach provides students with valuable insights towards making sound and highly skilled decisions in administrative affairs.

Chase, (2013) argues that:

“Case study research is the type of research in which a specific situation is studied either to see if it gives rise to any general theories or see if existing theories are borne out of the existing situations” (p. 56).

It is used when the objects of the research are very complex. Every research design, method and paradigm has strengths and weaknesses. No one alternative can produce perfect research. Anderson & Scott (2012) suggest three basic criteria that a researcher may use to evaluate the appropriateness of a proposed study design. Firstly, it is the purpose of the research, that of exploration, description and explanation. Explorative research is a type of research that provides a beginning that is familiar with the research topic and is necessary in order to develop theories about a phenomenon of interest. Descriptive research is a type of research that provides the context for both adjusting and testing a theory. Explanatory research is a type of research that tests the extent to which a theory adequately represents the phenomenon being studied. The research design for this study is descriptive.

According to Bazely & Jackson (2013:51) “Creative research involves the development of new theories, new procedures and new inventions”. Creative research can be used to some extent in all fields. Compared to experimental research, creative research is less structured and cannot always be pre-planned. It also includes both practical and theoretical research. Theoretical creative research is about the discovery or creation of new models, theorems and so forth. Mertens & Laughlin (2004) explain expository research, as a third type of research that is based purely on existing information and normally results in a review-type report. In expository research, the researcher reads widely on a field, comparing, contrasting, analysing and synthesising all points of view in a particular subject. Given the focus on applied and creative research, the choice was between using the qualitative and quantitative research method.

5.3 Qualitative Research Paradigm

A degree of conflict over research methods has continued to the present day between dedicated quantitative scholars and another camp of investigators using qualitative methods. Karpatschhof (2007) & Creswell (2013) hold the view that this sense of conflict is unnecessary as no single research method is most appropriate for all research problems. Each has different advantages and disadvantages, assumptions and a degree of usefulness. While quantitative research is used to quantify the problem by way of numerical data or data that can be transformed into usable statistics, qualitative research is primarily exploratory research that is used to gain an understanding of underlying reasons, opinions and

motivations (Cresswell, 2017). It provides insights into problems or helps to develop ideas. Kvale and Brinkmann (2009) are of the opinion that:

“More qualitative methods that provide deeper understanding, greater generalizability, higher external validity, and more adaptability to ongoing results may be more useful at the theory-building stages of the research (exploration and description), while more quantitative methods may be more useful for theory-testing” (p. 72).

Quantitative research, according to Vanderstoep & Johnson (2009), is more predictive and provides a deductive (process of reasoning that flows from the theory or hypothesis) analysis of units under study. On the contrary, qualitative research is more descriptive than predictive.

Qualitative data collection methods vary, using unstructured, semi-structured or structured techniques that include focus groups, individual interviews and participation (Leedy & Ormrod, 2013). The goal is to understand the in-depth viewpoint of the research participants. Hence, this study will be focusing on qualitative data collection and analysis. Based on the above analysis of the types of research, qualitative research is the most appropriate methodological approach for meeting the aims and objectives of this study.

This follows a process of reasoning that is inductive as it flows from theory and interpretation. This study used the path of conceptual methods, which involves using abstract ideas or theories. It was thus used to interpret the existing concepts and build new understanding. Hence, the study relies on a more inductive process of enquiry for understanding PPP procurement processes.

Qualitative research gives richer and more in-depth understanding of the population under study (Leedy & Ormrod, 2013). The disadvantage of qualitative research is that the sample sizes are usually smaller and use non-probability sampling and, therefore, the findings may not be used to generalize to the larger population (Creswell, 2014). Secondly, the samples are often purposively sampled and thus, people who participate may not be similar to the larger population (Vanderstoep and Johnson: 2009). These considerations are addressed later in this chapter. Following on from the overall design, data collection methods are discussed below.

5.4 Data collection methods

Leedy and Ormrod (2013:18) argue that “regardless of the kind of data involved, data collection in a qualitative study takes a great deal of time. The researcher should therefore, record any potentially useful data thoroughly, accurately and systematically.” It is also essential that data collection methods be consistent with ethical principles (see 5.10 below). After the researcher had decided on the overall approach to the data collection strategy to be used for this study, the data collection process can begin (Vanderstoep & Johnson, 2009). Hence, the next decision to make was what strategy to use in collecting primary data. Face to face interviews and focus groups interviews were used as data collection techniques. In the following section (5.4.1), the researcher addresses research interviews as a tool used to collect data. The qualitative research interview attempts to understand the world from the subject’s point of view, to unfold the meaning of their experiences and to cover their lived world prior to scientific explanations (Kvale & Brinkmann, 2009). An interview as a research method goes beyond the spontaneous exchange of views and becomes a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge. Kvale & Brinkmann (2009) further explains the difference between an individual interview and a focus group type of interview. An individual interview involves a one on one interview with the participant. A focus group interview usually consists of six to twelve subjects led by a moderator who introduces the topic and facilitates the discussion. The researcher engaged both the individual interviews and the focus group for the study. Hence the following process that was followed in developing interview questions.

5.4.1 Process followed in developing interview questions

Interview Questions

Interviews are methods of gathering information through an oral investigation using a set of pre-planned core questions. Interviews can be very productive since the interviewer can pursue specific issues of concern that may lead to focussed and constructive suggestions. The main advantages of interview methods of data collection, as argued by Yin (2016), are:

- a) Direct contact with the respondent often leads to specific, constructive suggestions,
- b) They are good at obtaining detailed information;
- c) Few participants are needed to gather rich and detailed data.

Maree (2016) argues that interviews facilitate the collection of data by asking all, or a sample of people, to respond to the same questions. They can be in both printed and electronic forms. Depending on their purpose, interviews can be unstructured, semi-structured and structured in design, and undertaken with individuals or may be focus group interviews including several people. The researcher needs to be absolutely clear before designing an interview question of what data the researcher needs to obtain (Leedy & Ormrod, 2013). A researcher also needs to think ahead about how to collate the information gathered. There is no point in designing an interview question that produces a range of information that the researcher finds very difficult to collate in any meaningful quantitative or qualitative way. Furthermore, it is important that the order and flow of questions should be logical to the respondent (Leedy & Ormrod, 2013), hence, the following engagement on unstructured interview questions, semi-structured interview questions and structured interview questions.

The unstructured type of interview allows the interviewer to pose some open-ended questions and the interviewee to express his/her own opinion freely (Anderson & Scott, 2012). Within the open questions, a question is posed, but space is left for the respondent's own answer. This requires both the interviewer and the interviewee to be at ease because it is like a discussion or brainstorming on the given question. According to Bazeley & Jackson, (2013), it is possible to generate rich data, information and ideas in such a conversation because of the level of questioning.

The semi-structured interview method has features of both structured and unstructured interviews and therefore, uses both closed and open questions ((Kvale & Brinkmann, 2009). As a result, it has the advantage of both methods of interviewing. In order to have consistency, the interviewer has a set of pre-planned core questions for guidance such that the same areas are covered with each interviewee. The interviewee is given the opportunity to elaborate or provide more relevant information. This study has utilized a semi-structured interview approach as well as structured interview questions.

In structured interviews, the interviewer uses a set of predetermined questions which are short and clearly worded; in most cases, these questions are closed and therefore require precise answers in the form of a set of options read out or presented to the respondent (Kvale & Brinkmann, 2009). Closed questions are where a limited number of alternative responses to the set question are provided. These can be in list, category, ranking, scale/rating, grid or other quantitative forms. Kvale & Brinkmann, (2009:34) further argue that “the structured interview questions are easy to conduct and can easily be standardised as the same questions are asked to all participants.”

As well as individual interviews, a researcher may want to interview several participants simultaneously in a focus group. To conduct a focus group, the researcher gathers several people (usually not more than 10 or 12 to discuss a specific issue for one or two hours, (Leedy & Ormrod, 2013). Focus groups are used to gather data, usually in the form of opinions, from a selected group of people on a specific and pre-determined topic, e.g. consumer topic; political topic and so forth. The researcher creates a relaxed atmosphere and records in some way what is being said (e.g. by use of a tape-recorder, video, note-taker etc) (Leedy and Ormrod, 2013). The purpose of the discussion is introduced and discussion ground-rules agreed. The researcher encourages free discussion, but is ready to intervene if necessary to resolve group problems (Creswell, 2014). Focus groups can be a useful way of finding out what the main issues and concerns of any group are (Kvale & Brinkmann, 2009). This can help in designing questions or to develop a future interview strategy. They can be a useful way too, of bringing to the surface issues that might not otherwise have been discovered: the dynamics of a group can often make people bolder in advancing their opinions (Leedy & Ormrod, 2013).

According to Leedy & Armrod (2013:52) “a focus group interview is less structured compared to the three categories of interview discussion above.” This is because of the difficulty in bringing structure to the group; however, rich data can emerge through interaction within the group (Preece, *et al.* 2005). In a group, people develop and express ideas they would not have thought about on their own, (Patton, 2014). In this study a focus group interview was conducted after a series of individual semi-structured interviews, to further explore the general nature of the comments made in the earlier interviews (Kvale & Brinkmann, 2009). A

representative sample was drawn from both the subjects who were interviewed individually and new members who had not been interviewed. The focus group was used to probe further and moderate the answers from the sample. Mertens (2011), recommends the membership of an ideal focus group to range from six to twelve subjects. The data collection was conducted with a focus group of twelve subjects.

5.5 Linking the research objective to sub problems and questions

As described in Chapter One, the core focus of this research is to establish whether the current PPP procurement process is effective or not, and based on the response given, ascertain what would improve the effectiveness of the process. The interview questions were thus designed to cover all the sub-problems related to this aim. The table below illustrates which interview questions were linked to each sub-problem (Table One).

Table 1: Sub problems and interview questions

Sub problem	Interview questions related to the sub problem
Conceptual background of PPP procurement process	<ol style="list-style-type: none"> 1. What do you think is the thinking behind the PPP concept in South Africa? 2. In your view, why do you think organisations use the PPP process? 3. Why do you think Treasury decided to use this PPP process? 4. Given what you think, do you think this process is linked to any conceptual background? 5. In your view, which theory informed the Public Private Partnership Procurement process in South Africa? 6. In your view, what is the purpose for these guidelines?
The identified gaps within the PPP	<ol style="list-style-type: none"> 7. Are there sections within the Public Private Partnership Procurement Process guidelines that need to be addressed for effectiveness of the process? Yes / No. Why is that? 8. What are the risks associated with this process?

procurement process	<p>9. Is the Public Private Partnership procurement process fully incorporating all these risks? Yes / No. Why is that?</p> <p>10. What are the risk elements that in your view are NOT incorporated within Public Private Partnership procurement process?</p> <p>11. Do Public Private Partnership Procurement process guidelines support government entities business objectives? Yes / No. Why is that?</p> <p>12. What is the motivation for the private sector to be in a partnership?</p> <p>13. Does the current Public Private Partnership Procurement process encourage business partnership with the private sector? Yes / No. Please explain?</p>
Perception by Stakeholders and the influence on Stakeholders	<p>14. Is the Tourism Public Private Partnership Procurement Process the preferred partnership type by private sector investors? Yes / No. Please explain.</p> <p>15. Is the Tourism Public Private Partnership Procurement Process the preferred partnership type by public sector entities? Yes / No. Please explain.</p> <p>16. Is the Tourism Public Private Partnership Procurement Process the preferred partnership type by Financing Institutions? Yes / No. Please explain.</p> <p>17. Does the current Public Private Partnership Procurement process plan safeguard the interest of key stakeholders i.e. government entity, private partner? Yes / No. Please explain.</p> <p>18. Does the current Public Private Partnership Procurement process plan encourage participation? Yes / No. Please explain.</p> <p>19. Does the current Public Private Partnership Procurement process plan ensure compliance to regulatory requirements? Yes / No. Please explain.</p> <p>20. In your view, are organizational policies and strategies aligned to support the Public Private Partnership procurement process? Yes / No. Please explain.</p>

	21. Does the set Public Private Partnership Procurement process by Treasury have any influence on the stakeholders' decision to terminate the project? Yes / No. Please explain
The Public Private Partnership Procurement Process Performance	<p>22. Has your organization's Tourism Public Private Partnership project completed the Treasury Approval III step? Yes / No.</p> <p>23. If yes, what was the reason for success or factors that contributed to success?</p> <p>24. If delayed, what caused delays on the project?</p> <p>25. If not completed, what is the reason and status in terms of the treasury approval plan?</p> <p>26. In your view, is there any link between the success and failure of the project with the Tourism Public Private Partnership Procurement guidelines provided by Treasury? Yes / No. Please explain.</p>
Recommendations for change	<p>27. Do you think the guidelines assisted organizations in going through the process? Yes / No? Why do you think so?</p> <p>28. Should the guidelines be changed? Yes / No? Why do you think so?</p> <p>29. In your view, what additional knowledge/alternative ways of thinking would strengthen the Public Private Partnership process guidelines?</p> <p>30. What challenges were faced by those organizations that went successfully with the process?</p> <p>31. In your view, in what way should the Public Private Partnership procurement process change to suit your organizational needs?</p>

Source: Author's own construction

5.6 Research target

The researcher will usually not study the entire population of interest, instead, will select a subset or sample of the population. However, the researcher can use the results obtained from the sample to make generalizations about the entire population. The sample should be so carefully chosen that, through it, the researcher is able to see characteristics of the total population in the same proportions and relationships that they would be seen if the

researcher were to examine the entire population. The specific sampling procedure used depends on the purpose of sampling and a careful consideration of the parameters of the population. If the sampling procedure is not carefully planned, any conclusions the researcher draws from the data are likely to be distorted.

5.6.1 Sampling procedures

The object of study is to be referred to as the unit of analysis and the sum total of all these units is called the population. Hesse-Beber (2010) defines a population as any group that is the subject of the research and argues that it is not possible or practical to study the entire population and, in such situations, it is necessary to make general findings based on the study. William (1988) further asserts that samples must be representative of the population being studied. The sample must be large enough to correctly represent a population. A sample is said to be biased if it represents only a specific subgroup of the population or if a particular subgroup is over or under represented in it. Ideally, it is desirable to study the entire population, but it will often be too costly or not practical to do so. Hence, in this study, a sampling frame was used to draw the sample from the complete list of all the units in the population. The population in this case was all Tourism PPP projects and Tourism PPP project stakeholders within South Africa. Sampling was therefore, the next step in the process. Sampling is the selection of some subset of participants or other objects of study from the relevant population of all such participants or objects (Edmond & Kennedy, 2013).

However, in this study, there was a real challenge of a rare population. A 'rare population' is the term used to describe small target groups of interest to researchers. Sometimes what makes a population rare is not its absolute size but its size relative to available frames that cover it. When chosen as target populations, rare populations, as argued by Groves (2009), poses considerable problems in identifying suitable sampling frames. Due to the limitation of the number of available Tourism PPP applications or companies that have gone through the application process, the deliberate sampling method was considered along with a number of other methods. The multi-stage sampling technique was explored, but found not to be suitable since this is a rare population.

Sampling methods can be classified into those that yield probability samples and those that yield non-probability samples. In the former, the probability of selecting each respondent is known. The best-known form of probability sampling is the random sample. In the random sample, every unit in a population has an equal chance of being chosen in a sample. This is true regardless of the differences or similarities. Stratified sampling is where the researcher divides the population into homogenous sub-groups and then randomly selects participants from each sub-group. Further to this, the multi-stage sampling combines any of these techniques. The other method considered was random selection which, according to Yin (2016:138) “relies on a basic principle used to try to avoid bias in a sample.

Unlike the simple random sampling, stratified random sampling involves selecting research participants based on the membership in a situation/stratum. Dividing the sampling frame into strata or sub-groups, allows the researcher to sample people proportionately based on the size of the stratum, for example, projects such as project advisory committee members. The advantage of stratified sampling is that it can be applied to more than one variable simultaneously (Edmond & Kennedy, 2013). According to Merian (2009), stratified sampling consists of drawing a sample from each of the several categories (strata) of a total population. Sometimes researchers have prior information regarding certain characteristics of a population composition, and they want to select the sample that reflects this. Stratification is used to guarantee that variance in different variables is measured, such as sampling from areas of different influence and that influences are removed (Creswell, 2014). In stratified sampling, independent selections are made from each stratum one by one. Separate samples are drawn from each such group using the same selection procedure (such as stratification and stratified sampling in each stratum, when the frame lists elements) or using different selection procedures cluster sampling, for example (Edmond & Kennedy, 2013). This deliberate sampling method is commonly known as a purposive or non-probability sampling and involves purposive or deliberate selection of particular units of the specific universe under investigation to constitute a sample which represented the said universe, (Groves *et al.* 2009). As there were not more than five tourism PPPs in each of the provinces in South Africa, some participants in the sample were selected based on ease of access. Creswell (2013) calls this sampling technique convenience sampling.

5.6.1.1 Selected PPP cases, organisations and the Treasury Approval stages of projects selected

As well as sample selection, sample size is a critical aspect of research methodology. The correct sample size is dependent upon the nature and size of the population and the purpose of the study. Patton (2014) argues that although general rules are hard to make when it comes to sample size, the general rule is that 8 - 12 cases as organisations, are a reasonable number for analysis, depending on the field of study. Although this view was held in 1987, it is notable, that research analysts like Swanborn (2010) and Patton (2014) still support this general rule. In this research, 6 cases were analysed. This is due to the rare population identified earlier in the discussion.

Table 2 provides the list of projects that were sampled, sitting at various project stages. Some of the projects have ended without reaching the project completion stage. The star (★) in a cell indicates where the process is currently or where it has failed within a particular organization. There are six projects that were identified for the study. These projects were linked to the leading organizations for the projects (Table 2). As highlighted in Table 2, the PPP projects have to go through two key phases of procurement, i.e. the project preparatory phase and the Treasury Approval Phase. The project preparatory phase is where an idea to engage in PPP's is proposed until the final authority is given by the accounting authority after consultation with all stakeholders.

The second phase is the Treasury Approval phases. There are three sub-phases within the Treasury Approval Phase. These sub-phases of the PPP procurement process approvals are provided and regulated by the National Treasury. They are referred to as TA1, TA2 and TA 3. The sample of projects selected had to be at different stages so as to get a range of opinions or experience from the participants. Table 2 below indicates projects or PPP cases, organizations linked to the projects and the stage at which the project ended or failed at. The detailed background on projects is presented in Appendix A.

Table 2: Selected PPP cases, Organizations and the Treasury Approval Stages of Projects selected

PPP Case	Organisations	Project Preparatory Phase	Treasury Approval Phases		
			TA 1	TA2	TA3
Royal Natal National Park-KZN	Ezemvelo	✦	✦		
Isimangaliso Wetland Authority – KZN	Ezemvelo/ Isimangaliso	✦	✦	✦	
Tembe Elephant Park	Tembe Elephant Park	✦	✦		
Drakensberg Cable Car – KZN	uKhahlamba Local Municipality	✦			
Kruger National Park-Mpumalanga	SANParks	✦	✦	✦	✦

Source: Author's own construction

The stage and the period are critical to analysing the performance of the process in relation to the effectiveness of the toolkit or guideline.

Table 3: PPP project progress

Projects Involved	uKhahlamba Cable car,	Royal Natal National Park	Treasury: In all Provincial PPP Projects	EDTEA: Provincial Tourism Team	Ithala Finance Corporation	SANPARKS Kruger National Parks
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Stage of the project as at August 2015	Inception	Inception	Ongoing	Ongoing	Ongoing	Completed 2010
Length of the project since inception	2011 (4yrs)	2010 (5yrs)	2010 (6yrs)	2010(6yrs)	2011 (6yrs)	2007 (4yrs)

There are three stages of PPP project development or approval as covered within the Tourism PPP toolkit and as regulated by Treasury. The PPP toolkit acknowledges the project inception stage and sees the process taking, on average, three years to complete the three phases or stages. Almost all the projects took more than three years to complete the initiation phase. The majority of the projects (80%) have taken three or four years thus far, but are still within the inception stage and have not even completed the first phase of the Treasury Approval phases.

5.6.1.2 Enabling Organizations

Enabling organizations are those organizations that do not own projects but provide critical support to project owners within PPPs. The table below (Table 4) indicate the exposure and the level at which the projects that these enablers have supported ended at, within the stages of PPP approval. As indicated below, only National Treasury have tourism PPP projects that they have supported through to the completion of the PPP process or PPP Treasury approval stages. All those projects were outside the KwaZulu-Natal Province and those within the province are not within the tourism sector, hence, not indicated in the table. National Treasury is reflected as having gone through all the stages to indicate their level of exposure to the process. This was critical when it came to data collection on what contributed to the success or failure of the process. The list of enabling organizations and their levels of exposure to the tourism PPP projects approval levels is presented in Table 4 below.

Table 4: Enabling organizations and their level of exposure within the phases

Organisations	Project Preparatory Phase	Treasury Approval Phases		
		TA1	TA2	TA3
National Treasury	✦	✦	✦	✦
Provincial Treasury	✦	✦	✦	
Department of Tourism KZN	✦	✦		
Ithala Bank	✦	✦	✦	

Source: Author's own construction

5.6.1.3 Selection of participants for individual interviews and for focus groups from the cases

A total of six (6) members per case were interviewed, which gives a total sample size of 36 participants in the semi-structured individual interviews. Further interviews were done through focus groups. Two focus groups of six members each were undertaken. Out of the twelve participants from the focus group, nine were members that participated when interviewed on individual sessions and three were new participants. The nine participants were selected because the researcher wanted to probe further in a group environment. The new participants were brought in because the individual interviews identified a gap in the information, hence their inclusion. The table below indicates the list of projects, leading organisations that are linked to the projects, and the roles of people in that organisation working within the project. In addition, the table shows whether participants were involved in an individual interview or within the focus group or both (Table 5). The selected role players were the National Treasury PPP Coordinator, Provincial Treasury PPP Coordinator, Accounting Officer, Project Manager, Tourism PPP Executive, Organizational CFO, and four representatives from the private sector were randomly selected from the list of companies who submitted an expression of interest on partnering with government entities in managing tourism projects.

Table 5: Details of participants in individual interviews and/or focus group interviews

Projects	Organisations	Individuals' role within projects	Interview with an individual	Focus group
Royal Natal National Park- KZN	National Treasury	PPP Regulating Officer	✓	✓
	Provincial Treasury	PPP project manager	✓	✓
	Provincial Treasury	PPP Coordinator		✓
	Private Sector	Financial Officer	✓	✓
	Ezemvelo	Accounting Officers	✓	✓
	Ezemvelo	Supply Chain Managers	✓	✓
	uKhahlamba Municipality	Community Leaders x 4	✓	
	uKhahlamba Municipality	Project Manager	✓	
	Ezemvelo	Head: Projects and Partnerships	✓	
Isimangaliso Wetland Authority KZN	National Treasury,	PPP Regulating Officer	✓	
	Provincial Treasury	PPP project manager	✓	
	KZN Tourism	PPP Coordinator	✓	
	KZN Tourism	Community Leaders	✓	
	Ezemvelo	Business Development Manager	✓	
Tembe Elephant Park	Ezemvelo	PPP Coordinator	✓	
	Tourism KZN	Tourism PPP Executive	✓	
	Private Sector	Accounting Officers		✓
	Tembe Community	Community Leaders x 3	✓	✓
Drakensberg Cable Car – KZN	Tourism KZN	Tourism PPP Executive	✓	
	Ezemvelo	PPP Coordinator	✓	
	Private Sector	Project Managers	✓	
	uKhahlamba Municipality	Financial Officers	✓	

	Ezemvelo	Accounting Officers		✓
	uKhahlamba Municipality	Community Leaders x 2	✓	✓
	Private Sector	Programme manager	✓	✓
	Private sector	Project manager	✓	✓
Kruger National Park	Private sector	Financial Officers	✓	
	National Treasury	PPP Regulating Officer	✓	
	SANParks	Tourism PPP Executive	✓	
	SANParks	Head: Commercial Services	✓	
	Private sector	Lodge Manager	✓	
	Private sector	Retail Operations manager	✓	

Source: Author's own construction

5.7 Data collection: Individual interviews and focus groups

The interviews process started in September 2014 and was finished in November 2014. The interviews involved 36 participants that were interviewed face to face and conducted using the interview schedule noted in Appendix B. Open ended questions were used in the interviews. This was followed up with two focus groups discussions with a total of twelve (12) members.

Six ice breaking questions (questions 1 – 6, Appendix B) were used to relax the participants, but importantly, to confirm that the participants have been involved in PPP's, ascertain their basic understanding of PPP's and the relevancy of PPP's in a South Africa. These questions were open ended and aimed at obtaining the participants' views on the conceptual background of PPP procurement process.

The close ended questions were included within the ice breaking questions. The intention was to relax each participant and establish whether they have been involved in PPP's. There were three participants that the researcher could not continue with as it was established

through the ice-breaking questions that they were part of a PPP project team, but did not have a role that would enable them to contribute meaningfully to the study. These participants were not included in the total sample provided.

Semi-structured questions are questions that begin in a close ended manner but also provided an opportunity for each participant to clarify or allow the researcher to probe further, (See question 7–28 in appendix B). The intention was to have a close ended question to get the specific view of the participant and also use the opportunity to probe further on the reason for the given answer. Question 7-13 ascertained whether the participant saw any gaps within the PPP procurement process. In the answer of yes or no, each participant was then expected to provide reasons for the answer given. This enabled the researcher to analyse their views on the gaps within the PPP procurement process. Question 14-21 aimed at determining the perception of stakeholders on the PPP procurement process and analysing their perception and its influence in dealing with the PPP procurement process. Question 22–26 aimed at analysing the PPP procurement process performance. This was to establish whether all the challenges that were raised, have had any influence on the PPP procurement process. This was further aimed at establishing whether there has been any success with this process. Question 27-28 aimed at ascertaining whether participants see a need for a change and the reasons for the answer given. Finally, questions 29-31 which were also open-ended questions aimed at obtaining the recommendations for change (See Appendix B).

During the interviews, the researcher identified the participants that would be best suited to a follow up discussion within the focus group setting.

Focus groups were undertaken after the individual interviews. Nine (9) members in the focus group were from the participants that were initially interviewed and the other three were new participants (one from Ezemvelo, another from the private sector and the third from Treasury, refer to Table 5 above). The reason for mixing them was because the first six who were already interviewed had strong views on certain areas and these needed to be probed further. The focus group also worked to clarify some issues raised in the individual interviews. The new members were invited because the researcher realised that there was a gap in the information gathered from the interviews. Examples of these include areas where the participants linked the challenges to the private sector and some to the Treasury Department.

Hence, it was important to bring specific role players from Treasury and the private sector to the focus group so that they could provide clarity on those issues, and allow some debate amongst the participants. The same questions as those used for individual interviews were purposefully used for the focus group, but with the researcher able to probe in some specifically identified areas.

5.8 Data Analysis

Once primary data had been collected, the researcher undertook a systematic analysis to identify the trends in data, and the variability of results. Data analysis methods depend on whether the researcher has chosen to conduct qualitative or quantitative research. The method that was used in analysing the data for this study was predominantly qualitative. Kennedy & Edmond (2013) argue that it is useful to produce an interview summary form from which to complete each interview. The researcher analysed the data from individual interviews and the focus group. A comparative analysis was used to analyse the data from both the open ended and semi-structured questions. This is where data from different people is compared and contrasted and the process continues until the researcher is satisfied that no new issues are arising (Maree, 2016). The researcher identified and grouped themes. There were five overarching themes emerging from the data, namely, exposing the conceptual background of the PPP procurement process, analysing the perception of the PPP procurement process by stakeholders, analysing the PPP procurement process performance and recommendations to strengthen the tourism PPP procurement process toolkit. The individual interviews were not conclusive; therefore, it was after integrating information from interviews with the focus group data that the process of analysis could be concluded. The data analysis was backed up by deepened evidence from the theoretical material and further interpretation of thematic data presented in Chapter Two to Chapter Four. This allowed for double checking and confirming thematic groupings of responses.

5.9 Validity, Reliability and Trustworthiness

Yin (2016) argues that the objectivity of a piece of qualitative research is evaluated in terms of its reliability and validity. Validity and reliability are key aspects of all research. Meticulous attention paid to these two aspects can make the difference between good and poor research, and can ensure that fellow researchers accept the findings as credible and trustworthy (Merrens & Ginsberg, 2008). Creswell (2017) argues that the traditional criteria for ensuring the credibility of the research data's objectivity is through reliability and validity.

5.9.1 Validity

Validity is the extent to which the data accurately measures what they were intended to measure (Creswell, 2017). Five key elements, as presented by Leedy & Ormrod (2013), who highlight that the validity of the research instrument intends to address the following areas:

1. Validity addresses the issue of whether the researcher is actually measuring what he/she has set out to do.
2. Face validity requires the research instrument to be relevant to participants in the study.
3. Content validity is similar to face validity except that the researcher must seek the opinion of experts in the field on the adequacy of his/her research instrument.
4. Predictive validity refers to the capacity of a respondent's ratings and responses to items on the instrument to predict behavior outside the immediate framework of the research instrument.
5. Concurrent validity indicates whether the level of responses to items on the research instrument is parallel to other facets of the respondent's overall behavior.

The following discussion confirms that organisations that participated in the research are involved with the PPP process authentically. In doing so, the study validated the list of organisations involved in this research, the positions of the individuals that were interviewed within the organisation, the role of participants within the PPP projects sampled, the project

stage of development within the PPP process, and the period of existence (life period since inception) of the project. Before the researcher could solicit the views of the participants, it was critical to confirm that the participants were involved in the PPP process from both the organisation' perspective and as individuals within an organisation. The research information required needed the involvement of both the individual interviewed and the organisation that the individual worked for to be involved in the PPP process. This would give credibility to the information gathered in the sense that the participants would have been verified as a credible source of information and were providing information based on their experience.

Involvement of individuals and organisations interviewed about PPPs

Robinson, et al. (2010), argue that, it is important to acknowledge and understand the key enablers affecting the delivery of an effective public private partnership procurement process. All the participants interviewed confirmed that their organizations were involved in the public private partnership process and were also using public private partnerships as a procurement process. 30% of these participants were involved as enablers within the process, for example, Treasury, financial institutions and tourism agencies. According to Robinson (2010), one of the key elements for the PPP, is the supporting units or enabling units to this process which, in this case are the four institutions, namely; the Provincial and National Treasury, Department of Economic Development, Tourism and Environmental Affairs and the financing institutions.

Further on the credibility side, the researcher had to establish the role that the participants played within the PPP projects in their organizations. The objective was to gauge the level of involvement and responsibility within the project. This would assist in ensuring that the views presented are from a balanced group exposed to the project from different levels and roles. Following is the list of roles played by different participants interviewed within the PPP process. These are listed in no specific order:

- Managing the process on the operational side as project team member
- Project Manager and managing the strategic direction of PPP's internally
- Project team member leading the procurement process

- Auditing and advising on the project
- Coordinating PPP Initiatives
- PPP Project Leader
- PPP Project Facilitator
- PPP Project Oversight
- Facilitation and Coordinating the PPP Projects Implementation
- Planning, Facilitation and Administration of PPP Projects
- PPP Projects Facilitation

Based on the above, it is clear that the roles span across leadership, facilitation, coordination, administration, advising and auditing. There were strong overlaps on project facilitation and project management roles. The strong involvement of these participants in the PPP projects enhances the credibility of the information provided.

5.9.2 Reliability

The reliability of a research instrument refers to the consistency or repeatability of the measurement of some phenomena (Creswell, 2017). The reliability (the extent to which the data collection method will yield consistent findings if replicated by others) of the data collected depends largely on the research instruments. Smith and Ragan (2005) present three forms of measuring reliability, i.e.

1. Parallel forms of reliability: A measure of equivalence that involves administering two different forms of measurements to the same group of participants and obtaining a positive correlation between the two forms.
2. Test-retest reliability: This essentially involves administering the same research instrument at two different points in time to the same research subjects and obtaining a correlation between the two sets of responses.
3. Inter-rater reliability: A measure of homogeneity. With inter-rater reliability one measures the amount of agreement between two people who rate a behavior, object or phenomenon.

All the participants interviewed confirmed that they were involved in the public private partnership procurement process within their organisations. This information assisted in ensuring that the research focused on the correct people within the targeted organisations and therefore, ensured the trustworthiness of participants and assured the reliability of the information gathered.

Both the participants and the organisations involved in the study were involved in the tourism public private partnership procurement process. Two of the participants' organisations were involved in the process as enablers. Therefore, the information gathered was from a balanced sample. The next theme covers the understanding that the participants had about PPPs in general and PPPs as a procurement process within the tourism sector.

Since qualitative studies are usually not based upon standardized instruments and often utilize smaller, non-random samples, the question is whether these reliability evaluation criteria have any value in qualitative studies. Patton (2014) cautions researchers that assessing the accuracy of qualitative findings is not easy. However, there are several possible strategies and criteria that can be used to enhance the trustworthiness of qualitative research findings.

5.9.3 Trustworthiness

Trustworthiness is the corresponding term to reliability and validity used in qualitative research as a measure of the quality of research. It is the extent to which the data and data analysis are believable and trustworthy. Creswell (2017:27) suggests that "trustworthiness of qualitative research can be established by using four strategies: credibility, transferability, dependability and conformability."

Effectiveness requires planning beforehand to ensure that the data can objectively be analysed afterwards (Creswell, 2017). The researcher produced an interview schedule, to control the line of questioning. Through the focus group, the researcher checked the validity and reliability of the information gathered. This is where the researcher confirmed and verified the accuracy of information. The issues related to the proposed solutions were further probed. The researcher further allowed debates among the participants which

provided further trustworthiness as different perspectives were debated in a combined group with participants in the focus groups triangulating the findings.

5.10 Research Ethics

Ethical problems in qualitative research arise particularly because of the complexities of “researching private lives and placing accounts in the public arena” (Berg, 2007:1) and thus, ethical considerations include the entire process of an interview investigation and the potential ethical concerns should be taken into consideration from the very start of an investigation to the completion of the final report. In terms of ethics, confidentiality is important. Kvale & Brinkmann (2009) argue that confidentiality in research implies that private data identifying the participants will not be disclosed. If the study will publish information that is potentially recognizable to others, the participants should agree to the release of the identifiable information before the study is undertaken. Kvale & Brinkmann (2009) further state that in a qualitative interview study, precautions need to be taken to protect the participants’ privacy. This being a qualitative study, the researcher had to interact extensively with the participants and several ethical issues had to be addressed before, during and after the study (Silverman, 2000:40). Such issues involve the following:

- *“Informed consent*
- *Beneficence of the study to the participants*
- *Honesty and trust, (is the researcher being truthful in presenting data)*
- *Privacy, confidentiality and anonymity (will the study intrude too much into the behavior or views of participants)”*

Therefore, appropriate steps were taken to adhere to strict ethical guidelines in order to uphold participants’ privacy, confidentiality, dignity, rights and anonymity. The following discussion describes how ethics were addressed while the research was the conducted.

The researcher first applied for ethical clearance from the University to conduct the research and full approval was received, (Appendix D1 & D2). Gate keeper’s permission was secured from organisations within the projects selected to be investigated as part of the University clearance procedure. An appointment was made with the Accounting Officer of the organisation and was provided with the background for the research. The accounting officer

was further provided with an application letter for authority to use their organisation for research, (Appendix G). All concerns were addressed and the authority to conduct the study using their project members was secured. The Accounting Officer then gave the researcher the permission to conduct the research, (Appendix H).

A letter of consent was prepared to be given to all individuals who participated, both, in an individual interview or as a member of the focus group, (Appendix E). The purpose of the study was explained to all individuals and their questions and areas that needed clarity were addressed. Once permission was granted for the interview, the interviewee was requested to sign the letter as a confirmation that the permission to interview was granted, (Appendix F). A copy of the research purpose, with the details of the supervisor and the institution was left with each participant (Appendix E).

The common concern from individual participants from government entities was that they wanted assurance that their names would not be disclosed to the shareholder department and Treasury, for fear of perceived victimization. The assurance was given by the researcher to the participants as part of the interview and acknowledged in the informed consent letters. There were no names of participants used in the research, but positions to highlight the roles and responsibilities of the participants in the PPP processes. Finally, the dissertation was processed through the Turnitin process and the Turnitin Originality Report was provided, (Appendix I) to affirm that plagiarism has not occurred.

5.11 Limitations

The limitations of the methodology of the study related to the size of the study population interviewed in the case study, that is, the rare population. The cost implications and the complexity of the process provided a rare population to select the sample from. The poor project success rate, the applications for registration and the poor rate on successful completion of the process (in KwaZulu-Natal with less than a 10% success rate on tourism PPP procurement projects) further provided a limitation on the scope of the sample. The other challenge was a fear from the participants in their views, involved assessing the performance

of the Treasury who is their funder and assessor. Whilst the participants were forthcoming in providing the information on their perceptions and their experiences, the fear of the Treasury was always present and participants in the study needed continuous reassurance that the information they were providing would not be used against their standing with Treasury.

5.12 Summary

This chapter started by presenting the objectives for selecting the research methodology and continued to explore the research types, strategy followed and approach adopted through to the research instrument, data collection processes, presentation and analysis. It has also briefly engaged with the cases from which primary data was drawn for the study. The following chapter will present the analysis of the data collected.

CHAPTER SIX

AN ANALYSIS OF RESPONDENT'S UNDERSTANDING ON PPPs AND GAPS IDENTIFIED BY PARTICIPANTS

6.1 Introduction

The previous chapter dealt with the research methodology used in this study. The presentation and analysis of the primary data is presented in the following two chapters, Chapter Six and Chapter Seven. Chapter Six focusses on the first three themes, namely; understanding the PPPs and their procurement practice within the targeted organisations; expounding the conceptual background of the PPP procurement process, and the identified gaps within the PPP procurement process. Subsequently, Chapter Seven presents the analysis of the final three themes, namely: an analysis of the stakeholders' perception of the PPP process and its influence on stakeholders; analysing the performance of the public private partnership procurement process and the changes needed within the PPP guidelines. The findings from these two chapters are then further utilised in Chapter Eight in the development and presentation of guidelines for improved practice.

Chapter Six covers the first theme that deals with establishing the understanding about the PPPs in general and the PPP procurement process practice within targeted organisations. The second theme deals with expounding the conceptual background which underpins the public private partnership procurement process. The third theme exposes the identified gaps by participants within the PPP procurement process. The first section in this Chapter focused on the participants' understanding about PPPs in general and the PPP procurement process practice within targeted organisations.

6.2 Understanding the PPPs and their procurement practice within the targeted organisations

Blakely & Leigh (2010) argue that the term public private partnership is not a new phenomenon and has permanently entered the lexicon of local government. Robinson *et al.* (2010: 26) concedes that “there are various definitions of the term public private partnership.” Information gathered indicated that all the participants (100%) had an opinion about what PPPs are and some participants provided further information clarifying their perceptions of the role of PPPs and what they believed PPPs were intended for.

The views on the understanding of PPPs presented by the participants included sharing ownership of projects between the private sector and public sector, opportunities for local community empowerment through the PPPs, opportunity for the public sector to transfer some risks to the private sector. The participant’s views on PPPs understanding further covered the opportunity for the public sector to tap into the skills from the private sector, a structured outsourcing process regulated by Treasury within the government environment, and a process designed to foster a working relationship between the private sector and public sector. Their perspectives on understanding PPPs finally covered the process created by the government to establish or ensure an enabling environment for both the public and private sector to effectively implement joint projects. Following are the four clusters of detailed views on the participants’ understanding about PPPs in general, namely; mutual relationship, risk transfer, fostering funding opportunities and service delivery.

6.2.1 Understanding mutual relationship

- It is where Government/Public sector and Business/Private sector, share the ownership of the project. Included in this relationship is the opportunity for the local people to be meaningfully involved in the project.
- It is a partnership between the public and the private sector where the private sector brings expertise and financial resources to the partnership. The general expectation is that the private sector has better and more skills than the public sector.

- It is a process designed to foster a working relationship between the private sector and the public sector. The reason for designing this process was that the private sector is reluctant to work with the public sector because of the perceived inefficiencies within the public sector, and also for the fact that the public sector uses tax payers' money and, therefore, has less risk than the private sector. It further creates a positive business environment between government entities and the private sector that will ensure that essential services are rendered to communities in a cost-effective way.
- There is sharing of resources between the private sector and public sector to improve on service delivery.

Source: Participants on the research study (Participant 2, 3, 5 & 7)

6.2.2 Risk transfer

- It is a preferred procurement process where some risks are transferred over by one party to another partner. The transfer could be from the private sector to the public sector or from the public sector to the private sector.

Source: Participants on the research study (Participant 3, 5 from public sector & 9, 11 & 12 from private sector)

6.2.3 Fostering funding opportunities

- It is a process developed by government through the Treasury to foster the funding and a skills transfer process between the public and the private sector.
- It is a partnership between the private sector and the public sector on capital intensive projects. This is because capital intensive projects require huge funding and expertise that may not be available within the public sector; hence, a process to foster a relationship between the two sectors becomes necessary.

Source: Participants on the research study (Participant 1, 4 & 7)

6.2.4 Service delivery

- Partnership between the private sector and the government in implementing projects through private sector resource mobilization ensures that both the private and the public sector are part of the project implementation and share on resources, skills and risks.

Source: Participants on the research study (Participant 3 & 5)

The views presented by the participants are in line with the broad definition covered in the research paper by the World Bank (2007) where a PPP was broadly defined “as an agreement between the government and a private firm under which the private firm delivers an asset, a service, or both” (Jooste & Scotts, 2012:60). All the responses indicated that mutual relationship, risk transfer, the fostering of funding opportunities and service delivery as emphasized by the participants, are key within the PPP process. The majority of the participants expected the private sector to play a more leading role within the relationship whether in terms of providing resources or providing skills, (Jooste & Scotts, 2012:62). This expectation, if it does influence the expectations of the public sector, might have an influence on the decision or appetite of the private sector in engaging within this process. Robinson *et al.* (2010:43) assert that “regardless of the definitions, the objective is to utilize the strength of the different parties to improve public service delivery.”

6.3 Establishing the understanding of PPPs as a procurement process

Being able to separate public private partnerships as a relationship structure from public private partnership as a procurement process assists in ensuring that the discussion that follows focuses on the PPP as a procurement process. The three subsections that the researcher wanted to obtain the views on were of the participants’ understanding of what the PPP as a procurement process was, what it was used for, and who in their understanding, are the key role players within the process.

The participants viewed the PPP procurement process as a contract between government institutions and the private sector to work together on a specific project. As such, it is a guideline provided by Treasury to guide the process of procuring a business partner from both

the public and the private sector, and it is a process with specific guidelines on identifying, assessing and deciding on the partner from both the public and the private sectors. According to the National Treasury PPP Manual (2007: p.14) Version 2 “for PPPs to be approved by any relevant Treasury, it must demonstrate affordability, value for money and transfer of appropriate financial and technical risk to the private sector.” Following are the responses addressing the two key questions relating to (i) what the PPP procurement process is understood to be by stakeholders and (ii) what in the stakeholders’ views are the use for the PPP procurement process within a tourism project.

6.3.1 Respondent understanding of the PPP procurement process

Three key views were presented by the participants in relation to the understanding of the PPP procurement process. The first was the view that a PPP procurement process was a contract between a government institution and the private sector to work together on a particular project. The other view was that the PPP procurement process allows the organisation to outsource functions for which it has no expertise and is not part of the core function or core business. A third view highlighted the role of the PPP procurement process as a guideline. The majority (80%) of participants emphasized the issue of guidelines as the defining element. They understood the PPP procurement as a process with specific guidelines on identifying, assessing and deciding on the partner from both the public and private sector. Treasury provides this as a guideline, guiding the process of procuring a business partner through PPPs. The participants from the private sector had a strong view on this point and probing further revealed that private sector participants felt that the public sector was lacking on this understanding. Hence, challenges with the take up of the process by the public sector. Lastly, as guidelines provided/regulated by Treasury on securing an effective partner for the public sector from the private sector (Individual Participants, 5, 7, 8 & 9: 08/2015).

Freeman & Freeman (2015), concede that relying on outside specialists to perform certain value chain activities offers a number of strategic advantages. On the point of what it is used for, the participants thus view the PPP procurement process as a process that allows

organisations to outsource functions for which they have no expertise. Participants viewed outsourced functions as not part of the core function of a business and the PPP procurement process is a process that enhances service delivery where the government lacks the infrastructure to meet its service delivery demands citation. The PPP procurement process is also understood as a process that is used to identify and select a partner for massive capital projects. It is also a process that ensures an equitable distribution of risk between the private sector and public sector, and is guided by the PPP guidelines which are provided by the Treasury citation.

6.3.2 Participants' views on the purpose of the PPP procurement process

The participants provided a wide range of views on the purpose of the PPP procurement process. The perspectives of the participants saw it used as an enabler to small business developments and as a system that enhances service delivery where government lacks the infrastructure to meet its service delivery demands (Focus Group:10/2015). The participants also view the process as a system used for big projects that require extensive funding that may not be available to the public sector and as a tool to facilitate the implementation of big capital projects and skills transfer. On risk management, the participants view the PPP procurement process as a procurement process that ensures an equitable distribution of risk between the private and the public sector, which is directed by the PPP guidelines provided and regulated by Treasury. Sollish and Semanik (2012:33) assert that "risk is the chance of something happening that will have an adverse impact upon the objectives and the complex definition is that risk is a measure of the inability to achieve program objectives within defined costs, schedule and performance constraints." The PPP procurement process is used for ensuring the smooth securement, implementation and operation of PPP projects. The PPP procurement process is also used for ensuring that all parties are involved in the development of the industry. The two overlapping views from all the participants (100%) were (i) that the process is used to identify and select a partner for massive capital projects and (ii) that the PPP procurement process is used to ensure cost effectiveness, skills transfer and partnerships (Individual participants and confirmed by the focus group, 2015).

According to Regulation 16 of the Public Finance Management Act of 1999, (S. A. National Treasury: 2005, p.17) “all PPP processes and approvals are given by the national Treasury”. However, Treasury Regulation 16 allows this authority to be delegated to the provincial Treasury. In terms of who is or should be involved in the process, the participants identified Treasury as the regulator within the process and the public and private sector as the two parties in the relationship with the one using the process to identify and select the most suitable partner. The question on who should be involved in the process further explored the participants’ understanding of it. This information also supported the study when the participants analysed the impact of the process on the stakeholders. A few of the participants brought in the small business sector and the community from a perspective of beneficence as role players in the process.

6.3.3 Participants’ view on the role of the PPP procurement process

The third key view from the participants, in relation to the theme of understanding of the PPP procurement process, was on what participants think is the reason for using the PPP procurement process in South Africa. The aim was to establish whether the participants see any relevance or usefulness in the process for South Africa. The view of the participants would contribute to or influence their assessment of the effectiveness of the process. According to the Public Private Partnership Manual (2004), the public private partnership procurement process was born out of the shortage of funds from the government for capital investment projects. Pride, et al. (2017) further states that the investment of capital enables the business to expand and thus, increases revenue and profits.

The views from the participants can be clustered into four categories on the use of the PPP procurement process in South Africa. The categories on the use of the process in South Africa are for the advancement of community developments, advancing business processes, ensuring transparency in the procurement processes and facilitating the process of funding projects. Manda and Pant (2016) argue that transparent practices form the basis for enhanced accountability. The two categories of community development and ensuring transparency are likely to be more relevant to South Africa’s challenges. The bulk of the comments are on enhancing business processes, which should be the key focus and interest for the private

sector. A strong emphasis on community development from the public sector and a strong emphasis on enhancing business processes from the private sector, suggest gaps in expectations from the two sectors in having a meaningful relationship. The views were categorized into advancing community development, facilitating the process of funding projects, advancing business processes and ensuring transparency in the procurement process. The views within the four categories are outlined below.

On advancing community developments, the areas that participants saw the PPP procurement process providing support within the category of community development. They saw the process ensuring that big organisations provide opportunities to small businesses in communities where the project is situated and thus help facilitate both the private sector and the institutions, especially the previously disadvantaged one to enter the tourism sector. They also expected the PPP procurement process to fast track service delivery and given the fact that the government does not have the necessary infrastructure, use the available one from the private sector. Lastly, under this category, encourage development and complement each other on resources within the public and private sector.

In terms of leveraging private sector funding the participants saw the process as a tool to tap into private sector expertise and use the private sector partnership as an alternative source of funding (the PPP procurement process is designed to leverage funding from the private sector, Participants, 2015). The PPP procurement process is used to complement the limited funds from the government with private sector funds and thus, ensure effective implementation of projects especially, to get private funding and partnerships and for cases of community beneficiation.

On advancing business processes, the two points identified in this category were in the process of encouraging the public sector to work with the private sector, exchange skills and ensure that there is cost effectiveness in the way projects are implemented, especially in the public sector.

The participants' view is that the PPP procurement process is used to ensure transparency in the process. Two issues were identified by the participants in clarifying this view and these were (i) to ensure transparency and full participation by key stakeholders which are the

private sector and the public sector and (ii) for equity purposes, distribution of benefits and alignment.

Based on the views from the participants (the purpose for the PPP process is to contribute towards community development and used as a source of funding, Participants, 2015), it is apparent that the two key areas of relevance are on community development and source of funding. The two other areas which were advancing business processes and ensuring transparency in procurement processes appeared less on the list of issues that were identified by participants. According to Coyle, et al. (2003) business continuity initiatives through procurement methods have highlighted public private partnership as an important new concept for procurement. From the business perspective, the categories that appeared on the list are more appealing to businesses and may be critical points for attracting private investors. Coyle, et al. (2003) argues that the issue of an attractive partnership has been very popular with most business analysts of capital investment methods or approaches.

Information gathered on this theme demonstrated the level of understanding by the participants of PPPs in general and the tourism PPP procurement process. The responses for this theme of establishing the participants' understanding of Public Private Partnership in general, and confirmation of Public Private Partnership procurement practice in the targeted organizations, confirms that there is a general understanding of public private partnership as well as understanding of the difference when it comes to public private partnership procurement processes. This relates to what the PPP procurement process is, what the procurement process is used for, and the critical role players. Information gathered also confirms the view of the participants in terms of the relevance of the process in South Africa. The next theme focuses on expounding the conceptual background of public private partnership procurement process. Here, the objective is to move away from the individual's view to consider the theoretical background and purpose.

6.4 Expounding the conceptual background of public private partnership procurement process

This section intends to expound the conceptual background of the PPP procurement process by probing into what the participants' views were about the concepts underpinning this process. The discussion on the thinking behind the PPP concept in South Africa, the reason why organisations use the public private partnership process, and establishing whether the PPP process in the participants' views are linked to any conceptual background. The discussion closes by introducing the views of stakeholders on the public private partnership guidelines. A concern of this section is to establish whether the development of the guidelines was informed by any theoretical background or not.

6.4.1 The thinking behind the PPP concept in South Africa

The aim of this section was to establish whether the participants link any theoretical concept in this process. The three sub sections that feature in their responses are economic transformation, business processes and legislative and statutory influence. Under business transformation, economic growth, job creation, creating a conducive environment, and an environment that enables government institutions to access the private sector are very critical. The second part highlighted is business processes which, amongst other things, are meant to capacitate and stimulate a partnership between the two sectors. There is a desire or need to create those highly needed jobs, the issue of the reduction of financial dependency, and the concept of a vehicle that would enable the government to access private sector credit strength. The last subsection revealed a legislative and statutory conceptual background. In highlighting the issues of governance, the participants highlighted the need for a thorough revision of statutory requirements so they can be made more flexible and to come up with an intervention that would fast track the quest to fulfil the mandate from the government. Thompson Jr. and Strickland III (2003) and Robinson (2010) provide a strategic framework, legislative framework and policy dimension as three configured components that are the fundamental building blocks of the procurement partnership strategy. Following are the detailed views from participants within each cluster:

6.4.1.1 Economic transformation

Economic transformation was created:

- To boost the economy through well-structured partnerships.
- To look at the value that will be added by the cable car in terms of job creation and other businesses that will develop to support the cable car.
- To capacitate and stimulate the partnership between the private sector and public sector.
- To provide the opportunity or environment for the public sector to hold hands with the private sector.
- To create a model of funding and operation that would assist the public sector to achieve growth.
- To reduce financial dependency on state organisations when embarking on big projects.
- To provide a vehicle that would enable government institutions to access private sector credit strength.

Source: Participants on the research study (Participant 2, 3, 8 & 9)

6.4.1.2 Business processes

- The thinking behind the PPPs in the South African context is to find a process that eliminates red tape and allows government to concentrate on core functions.
- It is to assist the government departments to roll out its key infrastructure development projects.
- A process or system that allows for the sharing of risk within the related project.
- To get expertise from different fields and ensure that resources are shared.
- Looking for a process or system that allows for the employment of relevant skills or expertise that the project at hand demands with ease.
- To ensure effective implementation of government led projects.

Source: Participants on the research study (Participant 1, 4, 7 & 8)

6.4.1.3 Issues of governance

- To cluster resources in terms of expertise, finance, funding, strategy, guidelines and policy using both the private and the public sectors.
- For effectiveness, there needs to be a thorough check on the statutory requirements to be made more relaxed so as to improve the process of procuring goods and services by the state.
- To come with an intervention strategy that would fast track the quest to fulfill the mandate from the government side.

Source: Participants on the research study (Participant 6, 10 & 11)

The National Treasury PPP Manual (October 2007) version 3 acknowledges that the overwhelming priority for South Africans, in particular government organisations, is to meet the socio-economic needs of all South Africans, in particular, to alleviate poverty. The Manual (National Treasury PPP, October 2007, Version 3:1) further states that “the government has implemented a range of infrastructural delivery programs that have significantly increased access to services, though large backlogs still remain.” According to the participants, economic transformation is seen as the biggest and strongest conceptual background that

influenced the South African situation on the development of public private partnerships. Business processes were also strongly included as part of the conceptual background of the PPP procurement process. Issues of governance were mentioned by participants. Issues of governance seemed to be more prominent in the responses from participants who were selected from Treasury, as a regulator. However, to these participants, economic transformation was the key. Following this, was a sub section on why the participants think organisations use the public private partnership process?

6.4.2 The thinking behind organisations' use of the Public Private Partnership process

This section follows from the views on the relevance of the PPP process in South Africa and with that background, focuses on organisations within South Africa. This question was intended to obtain the views on what the participants think is the reason behind organisations' decision to use the public private partnership process. It further highlights whether there is a difference in terms of what they view as relevant to South Africa to what they view as the use of PPPs by organisations in South Africa. It is also of interest to establish whether the views shared on the use of the PPP process, do address the identified categories within the question of relevance or not. It is significant therefore, that the responses provided to this question also address the three areas surrounding the effectiveness of the process and the sourcing of an effective partner towards enhancing community participation and development, as well as issues of funding. Freeman & Freeman (2015) argue that one of the factors that assists the functioning of the partnership is that in picking a good partner, they should share the company's vision about the purpose of the alliance and should have the desired expertise and capabilities. It is further argued that many partnerships fail because one partner becomes greedy and selfish or takes advantage of the other, and this results in friction which has the potential of eroding the value for further collaboration.

In terms of the effectiveness of the process and the sourcing of an effective partner, the participants felt that organisations use the process because it is a very structured and controlled process of outsourcing some government activities and is very effective for the fast tracking of supply chain management processes which are sometimes held behind by lengthy decision-making processes. This process allows organisations to specialize, and therefore,

become more focused and provide scope for procuring the most effective deal through a variety of suppliers and ensures that it enables partnerships to be effectively forged. The second category of the use of this process by organisations as identified by the participants is that of community participation and development. The prominent views on this category suggest that organisations use this process because it supports community participation which contributes positively to local development. According to the participants, organisations use the PPP process to fast track issues of service delivery through a co-ordinated approach and ensure that there is community or key role player involvement in the process. The participants hold the view that the PPP process enhances community participation by ensuring that communities in the surrounding areas where the project is situated, benefit from the project which assists in avoiding conflict and dis-alignment in development initiatives. The third category on the response to this question on why organisations use the PPP process concerned funding. The participants felt that organisations embark on this PPP process to source partners with funds for capital intensive projects. This, according to the participants, ensures that the full financial burden of development is alleviated from the shoulders of public organisations. This therefore, provides an environment where the public and private organisations complement each other in the event of each having a shortage of resources. Detailed responses on why organisations use the PPP process were presented in each category as follows:

6.4.2.1 Enhancing community participation and development

In this category, the participants' view is that it is a good system that ensures that communities have a buy-in in the project when it was started. They further advised that if one does not partner with communities, the chances are that he/she will suffer on issues of security and local support. Other views, for example, in this category were centred on the following focus areas:

- Alleviating the full burden of development from the shoulders of public organisations.
- Fast tracking issues of service delivery through a coordinated approach and ensure community or key role players involvement in the process.
- Ensuring that communities surrounding project areas benefit from the project.
- Ensuring involvement of different stakeholders and enable partnerships to be effectively forged.
- Avoid conflict and dis-alignment in development initiatives and hence, speed up development.

Source: Participants on the research study (Participant 3, 5 & 7)

6.4.2.2 Effectiveness of the process and the sourcing of an effective partner

- To complement each other (public and private sector) where they have a shortage of resources.
- To allow themselves (public and private sector) to specialize and as a result become more focused and cost effective.
- To make it easy and obtain support from government during the procurement process.
- It is a very structured way and controlled process of outsourcing some of the government activities.

Source: Participants on the research study (Participant 4, 6 & 7)

6.4.2.3 Using the PPP process for funding purposes

- To source partners with funds for capital intensive projects.
- To speed up the process of development whilst ensuring that the burden of funding is not heavy on government.
- It is for fast tracking SCM processes which are sometimes held back by lengthy decisions and processes.

Source: Participants on the research study (Participant 1, 2, 5 & 9)

It is of great importance to note that the participants view community participation and the development as the most prominent reason for organisations for using the PPP process. Funding is also important for alignment purposes with the PPP process in South Africa, the contribution to the effectiveness of the process and funding purposes. Having captured and analysed the views behind the conceptual background to the PPP process and on why organisations use the PPP process, the following analysis is on what the participants think is the reason why Treasury used the PPP process.

6.4.3 The decision behind Treasury's decision to use the PPP process

This question sought to establish the views of the participants on what they understood to be the decision behind Treasury's decision to use the PPP process. These views enabled the researcher to understand what influenced Treasury in the process as they play a critical role in regulating the process. This will be analysed in relation to the previous questions on the relevance to South Africa and the use of the process by organisations. With the focus more on critical infrastructure like building schools and hospitals, as mandated by the Public Private Partnership Manual (2004), the public private partnership procurement process was born out of a shortage of funds from government for capital investment projects. The responses were categorized into four sections based on the recorded views from the participants. The four

categories on the decision behind Treasury's use of the PPP process were (i) using the PPP process to attract investors, (ii) using the process to create an enabling environment for meaningful partnerships, (iii) using the PPP process to ensure that partnerships are properly regulated and (iv) lastly, using the PPP process for the enhancement of business processes. The participants' views are that the Treasury decided to use the PPP process because they felt that it was going to be the most effective means of attracting and encouraging investors from the private sector and encouraging the public sector to work with private sector organisations. Secondly, the participants' believe that Treasury decided to use the PPP process because it provided an enabling environment for effective partnerships through its ability to ease the bottlenecks caused by red tape from within the public sector and thereby, create a system that encourages a meaningful partnership which enables the partnership process to source in core expertise from the private sector.

Thirdly, the participants believe that the process has the potential of enabling meaningful regulation of the partnership with Treasury, entrusted with the role of micro-managing the funds in the use of government funds and also protect the government's assets whilst facilitating economic growth. Fourthly, the participants were of the opinion that Treasury construe the PPP process as a vehicle for enhancing business processes by encouraging links between the private and the public sector, and thus ensuring transparency and coordination of activities. Detailed categorized responses were as follows:

6.4.3.1 Using the PPP process to attract investors

The participants viewed the process as a tool to attract and encourage more investors from the private sector and encourage public organisations to work with private organisations.

6.4.3.2 Using the process to create an enabling environment for meaningful partnerships

The views were as follows:

- a) The process should be able to target the relevant public sector or entities that might not have the means to enter the market.
- b) The process should be able to guide the public sector on how to source in core expertise from the private sector within this process.
- c) The PPP process should be able to ease the bottlenecks caused by red tapes from public organisations.
- d) As Treasury is the guardian of public funds and is therefore best positioned to regulate the process on behalf of the government.
- e) It was critical for the country to create a system that encourages a meaningful partnership and Treasury was best positioned within the Finance Portfolio to regulate this process.

- f) Treasury has the responsibility of stimulating the economy, making it easier for government to do business with the private sector, and for ease of implementation of the developmental projects.

Source: Participants on the research study (Participant 3, 4, 8 & 11)

6.4.3.3 Using the PPP process to ensure that partnerships are properly regulated

The views of participants were as follows:

- a) To enable Treasury to micro-manage the use of government funds and therefore, needs to make sure that funds are used not only in an accountable manner but also responsibly.
- b) As the custodians of government funds, it is Treasury's responsibility to ensure that these funds are used effectively, since PPPs attempts to ensure that funds are effectively utilized.
- c) Due to the responsibility Treasury has to protect government assets, whilst facilitating economic growth.

Source: Participants on the research study (Participant 4, 7 & 12)

6.4.3.4 Using PPP process for business processes enhancement

The views of participants were as follows:

- a) It is the cost-effective way of providing services whereby government would have spent more funds to set up such infrastructure which equates to higher tax burdens for tax payers.
- b) The process would encourage links between the private and the public sector and ensures transparency and coordination of activities.
- c) The process would enable the public sector to acquire key expertise from the private sector and reduce costs through sharing resources and expertise.
- d) Treasury conceives the process also as the most cost-effective procurement process within partnerships on capital intensive projects.

Source: Participants on the research study (Participant 2, 5, 7 & 12)

The responses to this question have a strong indication that Treasury's involvement in the process is understood by the participants as the provider of an enabling environment for effective partnerships which is supported by the powers to regulate the process whilst ensuring the enhancement of business processes and thus encourage and attract investors.

6.4.4 On the view of whether the process is linked to any conceptual background?

Based on the views which the participants have on the PPP process, 95% of the participants were positive that the PPP process was linked to a conceptual background. Only 5% did not see any link of the process to any conceptual background and their reason was that they did not see any relevance to the practice. With the majority of the participants supporting the view that the process is linked to a conceptual background, the following question requests

the participants to list the theory which in their understanding informed the creation of the public private partnership procurement process in South Africa.

Table 6: On the link to the conceptual background

YES	NO
95%	5%

6.4.5 The theory that informed the Public Private Partnership procurement process in South Africa

This question was a follow up to whether they saw the PPP procurement process as linked to any theory, sought to ascertain which theories that they felt informed the process. Fourteen (14) theories were listed by the participants. A theory on development from the perspective of ensuring world class standards, cost effectiveness, ensuring positive growth, and without restriction from the government was mentioned by 9 participants. Their reasoning was that development is a key responsibility of government entities and is one of the solutions towards solving the country's challenges to unemployment. Furthermore, the source of PPP in their view, is to encourage meaningful development. Six of the participants felt that a partnership theory informed the procurement process in South Africa. The participants view partnerships as an enabler in the process of development. In probing whether in the context of the research purpose, participants see partnerships as more critical than development, participants were of the opinion that with no development, partnerships would not even be an issue. The Public Finance Management Act of 1999 was the next theory that four of the participants believed were linked to the procurement process. The emphasis was on the issue of regulation and controls exerted by the Act making it a critical theory. The National Treasury's PPP Manual and Standardized PPP Provisions as issued as a PPP practice note in terms of section 76(4) (g) of the PFMA highlights that South Africa has established a firm regulatory framework for the national and the provincial institutions to enter into public private partnerships. Policies had to be aligned to the legislative framework. The next critical theory related to the procurement process was project funding and was noted by three of the participants. The reason for this was that funding is one of the three reasons for embarking on partnerships with the other two being skills and risk transfer. However, funding is the

most sensitive for private sector involvement in the partnership. Following, is the table providing the list of these theories and the frequency they were mentioned by participants.

Table 7: List of theories influencing the PPP procurement process as viewed by the participants

No.	Theory Informing the Procurement Process According to the Participants	Frequency mentioned by participants
1	Development: World class standards, cost effective development, development without restrictions of government legislation, positive growth and development	9
2	It is linked to partnerships	6
3	Public Finance Management Act of 1999	4
4	Linked to project funding and cost-effective means of project funding	3
5	Intense involvement (effective participation) and taking ownership to avoid risks	1
6	PPP Treasury Framework	1
7	Linked to timeous delivery of critical project to needy communities	1
8	Linked to progressive means of managing bureaucratic and legislative constraints from public sector	1
9	The Agency Theory	1
10	Economic development	1
11	Transformation	1
12	Excellent service delivery	1
13	Implementation	1
14	Skills transfer	1

Source: Primary Data (Participants from Treasury, private and public sector)

It is important to note that the theory on development and the government through the Public Finance Management Act of 1999 is prominent, and as in line with the question around the use of the PPP procurement process and its relevance to South Africa. Business processes and transformation were not as important as those highlighted by participants in the use of

PPP processes and the relevance of PPPS to South Africa. The last question within the current theme concerns itself with participants' views about PPP guidelines developed by Treasury and is discussed below.

6.4.6 The objective of the PPP guidelines

The purpose of this question was to establish what the participants viewed as the objective for the development of these guidelines. This was done in preparation for the following theme which focuses on analysing what they perceive as gaps within the process. In line with the respondent's views, three categories were identified in this section. They were business processes enhancement, governance and stakeholder management. Within business processes as a category, the participants held the view that the guidelines provide direction and protect both parties in the process while stimulating the economy. Firstly, participants view them as guidelines that ensure implementation is completed in a coordinated manner. Secondly, it ensures the effectiveness of governance by ensuring that the desired business is sustainable and growing. Moreover, the participants view the guidelines as a tool that ensures and maintains compliance in terms of procurement processes. Lastly, the participants view them as an effective tool for stakeholder management. According to the participants, guidelines ensure a healthy working relationship between the stakeholders by ensuring that the interest of all the stakeholders is taken care of. Detailed responses per category identified were as follows:

6.4.6.1 *Business process enhancement*

- To ensure that implementation is done in a coordinated manner.
- To give direction on how PPP projects should be implemented and thus, avoid conflict.
- Provide direction on the process and stimulate the economy.

Source: Participants on the research study (Participant 3, 4 & 12)

Other participants felt strongly that the guidelines were set to guide the implementation of the projects and thus, foster the need for partnerships whereas other participants felt that these are mere guidelines, are not cast in stone and they are there to create awareness, educate, and to give guidance on the process.

6.4.6.2 *Governance*

The following points were highlighted by the participants:

- To provide direction and protect both parties in the process.
- To ensure that the desired business is sustainable and growing.
- To ensure a healthy working relationship between stakeholders.
- To ensure that the interest of all the stakeholders are considered.
- It is to ensure and maintain compliance in terms of the procurement process.

Source: Participants on the research study (Participant 4, 6, 8 & 12)

6.4.6.3 On stakeholder management

The following points were highlighted by the participants:

- To ensure that the interest of all the stakeholders are considered or are adequately looked after and protected.
- To provide some kind of standardized format of securing partners.
- To assist the public sector with the process that ensures that the three pillars being transfer of risk, sourcing funding and importing skills are executed effectively.
- Smooth operation with the involvement of all parties.

Source: Participants on the research study (Participant 4, 7, 9 & 12)

This section sought to establish the participants' views regarding what they understood to be the purpose of PPP guidelines. The three categories established were business processes enhancement, governance and stakeholder management. According to the participants business processes enhancement was the most prominent reason for having guidelines. Governance was the second purpose for the guidelines that was highlighted. Stakeholder management was highlighted as the other critical purpose for developing guidelines. It is important to note, that this was the first time that stakeholder management within this theme, was viewed as prominent. The reasons from the participants were that they rely heavily on PPPs to assist in facilitating the relationship of the various stakeholders within the process. In developing the national public private partnership program, the starting point was to come to an acceptable understanding of a PPP ranging from a simpler PPP to a more complex PPP. According to the review of the Treasury PPP Manual (2011), a PPP is defined as a contract between government institutions and the private sector where the private sector performs an institutional function and/or uses the state property in terms of output specification where substantial project risks are transferred to the private sector.

In this theme of the link to any conceptual background, the participants provided the thinking behind the PPP procurement process, identified the concepts which in their view, are the background to the PPP procurement process. The participants further provided what they thought was seen as the thinking and theory behind the PPPs by the public sector, private

sector and financial institutions as funders. The next theme covers the analysis of the identified gaps within the PPP process.

6.5 Analyzing the Identified Gaps within the Public Private Partnership Procurement Process

This section attempts to identify the gaps perceived by the participants within the PPP procurement process. The researcher started by asking the participants to identify areas within the process guidelines that need to be addressed for effectiveness, identify the risks that are associated with the process, and whether these risks are incorporated within the process guidelines and to highlight those that in their view, are not incorporated. This section closes by trying to establish the participants' views of the relevance of the PPP guidelines in supporting the public sector's objectives. Notably, it does motivate the private sector to participate regardless of whether it encourages participation from both the public and the private sector or not. According to the National Treasury Strategy Review Records (2012), the intention for developing public private partnership procurement guidelines was to encourage potential private investors to invest in these projects and ultimately relieve the government of funds for other critical community needs whilst allowing the tourism partnership to create sustainable jobs.

6.5.1 Sections within the Public Private Partnership Procurement Process guidelines that need to be addressed towards the effectiveness of the process

The majority (60%) of the participants across the projects had a strong view that the PPP procurement process guidelines have areas that need to be addressed to be effective. Their view is that although this is a guideline, Section 16 of PMFA of 1999 does not address their challenges. It assumes that all public organisations are operating on the same principles, which is not the case. From where they stand, the process does not consider some of the challenges at grass roots level such as community issues, land, and consultative structures. The guidelines further do not identify the risks or challenges that operational people face.

Their reason was that their project was still at a very early stage and they could not comment. 30% of the participants held the view that the elements of the process are sufficiently covered. Their view is that there is a general understanding of all the issues within the process and all elements are fully covered within the process. Only 10% of the participants from two projects out of six projects were not sure. Kildow (2011) argues that guidelines are produced by professional organisations and set best practices for operational effectiveness and control.

Table 8: Sections within PPP procurement process guidelines that need to be addressed for effectiveness

YES	60%
NO	30%
NOT SURE	10%

6.5.1.1 The view that all elements are sufficiently covered within the process

The participants felt that all the elements or the views were fully covered within the process and that there was a general understanding of the guidelines as to how they can be effectively utilized

6.5.1.2 The view that NOT all the elements are sufficiently covered within the process

- a) The Treasury has not contextualized the framework to suit the South African context.
- b) Section 16 of PFMA of 1999 is not responsive to our challenges.
- c) Section 16 of the PMFA as it is, does not fully protect the public sector.
- d) The process does not take into consideration some of the challenges at ground/grass roots level such as community issues, land, and consultative structures.
- e) The process does not identify risks or challenges involved.
- f) Regulations to assist the process need to be done timeously.

Source: Participants on the research study (Participant 1, 3, 5, 6 & 9)

6.5.1.3 Not sure of the situation

The participants felt that as municipality, they are not involved in the process and it is important to get contributions from those who are involved in the process. They were less familiar with the section under discussion.

From these views, it was clear that the participants believed that not all the elements were sufficiently covered within the public private partnership procurement process guidelines.

Kildow (2011:188) asserts that “To be fully effective, guidelines must be regularly revised to include newly improved practices and the practices had to consider the countries’ priorities for relevance”. In probing further on this, the participants were asked if there were risks that were associated with this process with the objective of seeing if there were risks that the participants were associating with the process without any knowledge of whether or whether any risks actually existed.

Thirteen types of risks were identified by the participants. These risks were ranked in terms of frequency to establish those commonly identified by the participants. The top three risks identified were regulatory risks, the risk of insufficient demand and supply volume and political risk. These were highlighted by participants from the public and private sector. Regulatory risks were identified by participants as the inability of the regulator to manage or control the private sector from exercising autonomy within the partnership to the extent that some of the critical elements that should be governing the relationship for example, transferral of skills and the risk are not occurring. Farazmand (2004) argues that the historical aspect of this relationship is that fifteen (15) years ago, the practice was where the government carried the risk the private sector made profits. Farazmand (2004) further asserts that the essential aspect of this practice was that it was contrary to the theory of partnerships. The second equally important risk identified was that of the private sector not being interested in this partnership process, yet the demand is high because of the developmental needs and the shortage of project funds from the public sector. This, the participants referred to as the risk of insufficient demand and supply volume risks. The third risk, which is also equally important, is the political risks. This is where the participants felt that when there is no political stability from the country or no visible backing from the political leaders of entities, the process may not be successful. Where the risks are fully covered, they believed it helps the process towards success. Wang (2013) argues that while service delivery through a PPP, changes the way the service is delivered, it does not change a department’s accountability to ensure that the services are delivered. Osman (2014) clarifies this by arguing that the department’s focus shifts from managing the inputs to managing the outcomes. Additional risks that were identified were the time the process takes before being finalized, environmental risks, for example, the stability of the economic situation within the country, and the issue of sustainability and project failure because of the inability of the partners to

continue with the process for various reasons. Following is the table with the detailed list of all the risks identified.

Table 9: Risks identified by participants

No	Risk Identified	Frequency mentioned by the participants
1	Regulatory risks: This is where the private sector company has autonomy in the operation of services or goods and no transfer of skills to state employees	3
2	Risk of insufficient demand and supply volume risks: Private sector is not interested in all our procurement rules or processes, interest of potential partners from private sector	3
3	Political risks	3
4	The time it takes to complete some processes take too long. In our case, after three years, we have only completed the feasibility study and EIA	2
5	It does not mitigate the financial challenges	2
6	Environmental risks	2
7	Project failure: Risks of not finishing the job on time due to gaps to assist with controls within the tool kit, A partner withdrawing from the process	2
8	Construction risks	1
9	Operating risks: It is very broad and the practicalities or realities on the ground are not taken into consideration, Not really as some PPP projects experience problems along the way	1
10	Financial risks	1
11	Full understanding of all role players involved and the assumption that each partner understands his/her role	1
12	Non-compliance with the guidelines. This however is covered by the Treasury approval process which do not allow organisations to proceed unless the process has been signed off by Treasury	1
13	Sustainability of the project	1

Source: Primary Data (Participants represented in all three sectors: Treasury, private and public)

From the identification of the elements that the participants felt are not covered within the process guidelines, to the list of risks that are associated with the process, without clarifying whether these risks are covered or not covered within the PPP process. The next critical step was to ascertain whether from their understanding, these risks were fully incorporated within the process or not. The response to this question indicated their view towards the effectiveness of the process guidelines. All the participants, interviewed, as covered in table 14 below, felt that the public private partnership procurement process guidelines do not incorporate these identified risks.

Risks incorporated within the public private partnership procurement process

It was important to investigate this further and establish the reasons why the participants had such a view. Following, are the core reasons provided by the participants on why they felt that the public private partnership procurement process guidelines were not incorporating these risks. They felt that the guidelines do not emphasize the period it takes preparing for the process. It focuses on the period where the decision has been made to embark on the process onwards, whereas the challenge lies in the pre-phase. The feeling is that there seems to be no recourse for the failure of each party. The participants also felt that the process guidelines do not address the eventuality of an unsustainable cash flow. Due to the inability to ensure that all loop holes or risks are covered, it affects the sole purpose of risk transfer.

The next section entailed establishing what the risk elements are that in their view, are not incorporated within the public private partnership procurement process. The risks identified were ranked in terms of frequency from a total of nine risks. Thorough consultation and political risks were identified as the top risks that are not incorporated within the public private partnership procurement process. In relation to thorough consultation, they felt it does not emphasize the period it takes preparing for the process, planning time frames and a number of studies that need to be carried out before implementation of the project. Linked to this is that it focuses from the period the decision is made to embark on the process onwards, whereas the identified challenge is in the pre-phase. The Treasury Regulation 16 of the PMFA defines a PPP and sets out the phases and tests it will have to go through and

provides precise and detailed instructions for PPPs. The political risk and the issue of non-compliance, identified as regulatory issues and risks associated with the process, has also been featured in the top two risks that are not covered by the process. Omissions of these risks according to the participants, creates a huge risk for the process. Below is the detailed table providing the risks arranged according to the frequency of responses.

Table 10: Risk elements identified

No.	Risk Identified	Frequency of mention by the participants
1	Thorough consultation does not emphasize the period taken preparing for the process, planning time frames, a number of studies that need to be carried out before the implementation of the project.	5
2	Political risks	5
3	It focuses on the period the decision has been made to embark on the process onwards, whereas the challenge occurs in the pre-phase	4
4	The issue of non-compliance	
5	Financial risks	3
6	Operating risks, non-transfer of skills that should occur in the process	3
7	Environmental risks, community conflicts	4
8	Yearly reviews on the legislative requirements are not done to check the viability and losses that may be incurred through negligence of the private sector	3
9	Lack of knowledge, not to the researchers understanding	2

Source: Primary Data (Participants represented in all three sectors: Treasury, private and public)

The financial risks and environmental risks like community conflicts and lack of understanding were identified within the top ten risks associated with the process. The new risk that was not identified above is the lack of yearly reviews on the legislative requirements which according to the participants, are not done to check the viability of the process and recording

losses that may be incurred through negligence of the private sector. The objective of this section was to identify the risks that are associated with the process, identify risks which, according to the participants, are covered within the process and those that are not covered within the process. Information gathered and investigated have clarified this issue. The next section probes into the organisations' business objectives and the support they derive from the public private partnership process. The objective of this section is to gauge the relationship between the objectives of the public and private sector and financial institutions as the key stakeholders in the process. Relevance to objectives influences how organisations respond or react to the process. The first risk is on whether the PPP procurement process guidelines support government entities' business objectives. The table below indicates that the majority (75%) of the participants feel that it does support government entities' business objectives and that their processes are aligned to what the government is doing with only 25% of the participants holding the view that they do not support their objectives.

Table 11: PPP support of business objectives

YES	75%
NO	25%

The reasons provided for the responses of those that felt that they do support the business objectives were that Public Private Partnership procurement processes bind parties to commit themselves as the process usually ends with an agreement in place, assists government in fast tracking service delivery and maximizing revenues for entities, benefits through unitary payments from the government and contribute to the IDP, the business and through job opportunities it would provide. The PPP procurement process guidelines monitored by the Treasury provide the guidance, support and road map. Within the supporting role, the Treasury provides someone to assist Provinces to implement the process. As the key challenge is funding, these guidelines facilitate the process of securing funding and even provide project funding for implementing the process and even fund some of the activities. The fundamental support is in terms of providing the process guideline.

On the view that guidelines do not support government entities' business objectives, 25% of the participants do not see any support, but see them as too complicated and hard to follow, and not sensitive to the challenges faced on the ground. The feeling is that they are cumbersome to manage, with elements that frustrate the process, do not allow for different business case scenarios and become bureaucratic. They need to take into consideration the environment in which they operate as well as their role as implementers. With that view about the public sector, the next step was to investigate what the participants view was the motivating factor for the private sector to be in partnership. According to Robinson (2010), the effectiveness of the policy framework influences the outcome of the policy guiding the development of the PPP procurement process. This however, depends on key ingredients such as policy theory, company objectives, institution involved and policy environment. Robinson continues and argues that understanding the policy environment is fundamental in developing and implementing policies and the effective policy should according to Robinson (2010), encourage the movement from 'Bad to Best' procurement practices for PPP procurement processes.

The motivating factors for the private sector to be in partnership within this process are according to the participants, categorized into four areas namely; business growth, profit maximization, community development and political positioning. Business growth is prominent and seen as the reason for the private sector to engage in this process. Following are the key points provided:

- a) Growing their business in partnership with the state.
- b) For positive exposure that will enable their business to grow.
- c) Provision of funds as an investment.
- d) To share the risk as it is absorbed by the other partner.
- e) Opportunity for business development and business growth.
- f) The private sector has the financial strength, which makes it easier to implement desired business initiatives.
- g) Providing the necessary and needed expertise to the public sector.

Source: Participants on the research study (Participant 4, 7, 9 & 12)

The prominent condition category of profit maximisation provided by the participants were that if the project is their initiative, the private sector emphasizes and prefers that the full ownership and control on the process should be theirs. Other reasons within this category were profits maximization was seen as beneficial with opportunities to make money,

maximizing its objectives of making money and above average returns. Davidson (1998) argues that the risk of 'crony capitalism' where government accedes to the demands of powerful business interests at the expense of the public's benefit. The third category was community development as a motivation for the private sector to be in a PPP, with the following reasons provided by the participants:

- a) Provides a needed service within the community.
- b) Passion for development within the country.
- c) Bringing expertise to support development within communities.
- d) For social responsibility purposes.

Source: Participants on the research study (Participant 1, 5, 9, 11 & 12)

The emphasis on community development may be an important element in the South African context and supports the explanation given as the respondent's understanding of the relevance of the process in South Africa. The Public Private Partnership Manual (2004) highlights the point that the PPP procurement process was born out of the shortage of funds from the government for capital investment projects aimed at improving the lives of people. The last category was that of political positioning. Some of the participants felt that the although the above points or categories may be a business and moral reason for the private sector to be in this process, political positioning is also a key driving factor. They provided the following points as reasons for this view within this category:

- a) Extension of their profile.
- b) Political protection.
- c) To be seen to be working together with government entities.
- d) The opportunity to support the government in its developmental initiatives.

Source: Participants on the research study (Participant 3, 7, 9 & 11)

This last element supports the private sector in building its reputation and for protection against various business forces. From the motivating factor for the private sector to be in partnership, the next question sought to establish whether the PPP procurement process encourages partnership with the private sector or not. With knowledge of the reasons that attract the private sector to a partnership, this part then expounded whether the PPP procurement process was able to match the private sector's desire to be in partnership by exposing the participants' views about whether they believe PPPs encourage a partnership or not.

Table 12: Ability of the PPP procurement process to attract the private sector

YES	30%
NO	62%
NOT CLEAR	8%

30% of the participants held the view that it does encourage participation with the private sector, participants also highlighted that it can be improved by making the rules and the regulations simpler for partnerships to be established quicker. According to Shaw (2002), the reason why public-sector actors need to be in partnership with the private sector is that by far, the private sector is more efficient than most government run entities. In the view that the process is not clear on the direction intended for the private sector, the views represented by 8% of the participants was that the PPP process does encourage participation as both the private and the public sector collaborations are encouraged and highly recommended. Their view is that the tool is more focused on partnership although they are not clear on these issues. However, the private sector tends to create these partnerships regardless.

According to Wang (2013), a major impediment to the private sector's involvement in infrastructural development and maintenance in the U.S. is the lack of Public Private Partnership legislation. The view of 62% of the participants suggested that the PPP procurement process does not encourage partnerships with the private sector because the private sector is generally not involved from the beginning and is uncomfortable with the partners that are imposed on them e.g. business owners from the local community. Campbell *et al.* (2003) argues that the investment of capital enables the business to expand and thus increase revenue and profits which is the focus of the private sector. The other view raised is that it is cumbersome and the turnaround times are not realistic and most opportunities are lost by the time most deals are finalized. The view is that the private sector is very sensitive to risks as it is their money invested whereas the public sector have access to tax payers'

money that is used. There are too many regulations and risks for the private sector, hence, very few of the PPPs have been successful thus far. A further challenge is related to the flexibility of the rules within the government sector. This section concludes the theme that analyses the gaps within the public private partnership procurement process. Evidence from the views of participants strongly suggests that there is a gap. The next theme analyses the perception by stakeholders of the process and the influence of the process on stakeholders.

The participants provided the information of the gaps identified within the process. The participants identified areas within the process guidelines that need to be addressed for effectiveness. This theme within this section also identified the risks that the participants felt were linked with the process and the risks incorporated within the PPP procurement process.

6.6 Chapter Summary

Chapter six started with the participants' data categorization and perspectives of the first three themes that were covered in the questionnaires and their objectives. The objectives covered the areas that established the understanding of PPPs in general, and the PPP procurement process practice in targeted organisations, expounding the conceptual background of PPP process and the identified gaps in the PPP procurement process. Information gathered indicated that there is generally a good understanding of what PPPs are, but is a gap in terms of the capacity of actors to ensure effective implementation of the process. The lack of understanding in the process however, is not a good indicator towards the effective implementation of the PPP process. The next chapter, Chapter Seven, covers the same section of data presentation, interpretation, analysis of findings and discussion of results within the fourth to sixth theme as covered within the introduction to this chapter.

CHAPTER SEVEN

STAKEHOLDERS PERCEPTIONS OF PPP GUIDELINES' PERFORMANCE AND PROPOSED CHANGES

7.1 Introduction

Information gathered in the previous chapter indicated that there is a good understanding of what PPPs are, however, the information gathered further indicated that there is a gap in terms of capacitating the actors to ensure effective implementation of the PPP process. This chapter continues the analysis with a presentation of the interpretation of data related to the last three themes. The first theme in this chapter covers the perspectives of PPPs by the stakeholders and the influence PPPs have on stakeholders. The second theme in this chapter covers the analysis of the public private partnership procurement process performance, and the third and final theme in this chapter, covers the need and recommendations for change on the guidelines.

7.2 An analysis of the Stakeholders' perception of the PPP process and its influence on the Stakeholders

This section aims to establish the perceptions of the stakeholders around the PPP procurement process. The stakeholders that this study focused on were the public sector, the private sector and the financing institutions. The discussion further establishes whether the participants' perception in relation to the PPP procurement process plan, ensures compliance with the regulatory requirements. This theme further includes an analysis of the participants' views about the enabling environment such as, the organisational policies and strategies on the effectiveness of the PPP procurement process. The last part of this subsection asks a very specific question on whether the participants view the PPP procurement process as having any influence on the stakeholders' decision to terminate the project before its completion. The importance of this question in the study is that it answers the key

question on the effectiveness of the PPP guidelines for the projects' success or failure to complete Treasury Approval processes.

Having analysed and obtained a better understanding of the views of these stakeholders, the next important bit of information was to get the participants' views on whether the tourism PPP procurement process was the preferred partnership type by the private sector or not.

7.2.1 The preferences of the private sector for the PPP procurement process

The majority of the participants felt that the tourism public private partnership procurement process is not the preferred partnership type by the private sector. However, a minority of the participants felt that it is still the preferred partnership procurement process by private sector investors. The points that were highlighted by the majority of participants believed that the private sector's preference is to run the business on their own without the public sector as a partner. Those not in favour of PPPs also prefer a process that avoids government procurement processes as they tend to be inflexible and take too long to finalize the application in this regard. As a result, they prefer the government to be more efficient with a system that is open and with few challenges. According to the participants, the private sector prefers to work with autonomy because they believe that the public sector is very slow and frustrated by government procedures. Furthermore, the private sector is goal driven and has the practical knowledge of how community based projects should be operated. The challenge is that the private sector skills distribution is limited as they must abide by the PPP process guidelines.

Other points identified by the participants were as follows:

- a) The PPP procurement guidelines are not developed and/or designed in the true sense of PPP's, where investments are recouped via continued cash flow for a specific period.
- b) The private sector rather prefers a private sector entity as a partner because they could choose who they want, whereas with the PPP, the government decides who the parties should be.
- c) The private sector prefers engaging the public sector outside the PPP procurement process guidelines.
- d) They are also attracted by the opportunity to exploit the offerings by the public sector as the guidelines are not clear.

Source: Participants on the research study (Participant 7, 9 & 12)

42% of the participants that felt that the tourism public private partnership procurement process was the preferred process by the private investors. These participants felt that it was preferred in the sense that the private sector gets to invest and realize the return on their investment in a secured way as the government gives equities and to some degree, guarantees the partnership, which is more viable and secured for the private sector. The laws governing PPPs are clear which makes it a preferred procurement solution. Unlike the public sector which is limited by its own policies, the private sector can easily source funds and ensure sustainability. With all these points covered by the PPP procurement process, the majority of the participants, while acknowledging these benefits, still felt that the tourism PPP procurement process was not the preferred type of partnership by private investors. Having understood the views about the private sector, the next stakeholders are the public sector entities.

7.2.2 Preferences of the public-sector entities related to tourism PPP procurement process as a partnership type

Mana, et al. (2014), highlight that managing the procurement process can be difficult for a multitude of reasons, one of which is the inflexible organisational culture. Mana, et al. (2014) therefore advises that in dealing with such activities, one must be aware that firms are different and will have different requirements for each procurement process. The majority of the participants, (see Table 13), thus hold the view that a tourism PPP procurement process is the preferred partnership type by the public-sector entities. 30% of the participants, constituting the minority, felt that a tourism public private partnership process is not the preferred partnership type. There were approximately 14% of the participants who were not decisive on this issue.

Table 13: Preference of the tourism PPP Procurement Process as a partnership type by public sector entities

YES	56%
NO	30%
NOT DECISIVE	14%

The percentage of those who were not decisive is similar to the percentage of participants who did not have any view on the relevance and benefits of the partnership process in general. It is also important to note that the majority of the same participants felt that the tourism PPP procurement process is preferred by the private sector, but not the public sector. It is of interest that the same participants felt that the PPP favoured the private sector but was more favoured by the public sector for implementation. This also refers to the suggestion that the private sector is set to benefit more from the partnership process than the public sector (majority of participants from the public sector). The reasons given for holding these views are as follows:

- a) Due to the limited funds from the government entities, the private sector takes up the opportunity to invest.
- b) The public sector does not have the financial muscle or market profile, so a PPP is the best vehicle to access funding.
- c) It is also preferred by the government because when government departments have no budget for procurement of goods and services, it can rely on the private sector to provide the resources and skills thus meeting its service delivery objectives.
- d) Apart from the clear guidelines, the process has strong feasibility studies, which provides some comfort on the decisions made.

Source: Participants on the research study (Participant 2, 7, 9 & 11)

There were also reasons given by some participants who feel that the tourism PPP procurement process is not the preferred partnership by the public sector. The four key reasons cited by participants were:

- a) That the process is too slow and the public sector loses focus and support along the way. The concern with time was also cited when sourcing the views on the relevance of the process to South Africa and the public sector.
- b) The second reason is that the public sector does not have the requisite expertise and so there is very little evidence of a successful tourism PPP outside of SANPARKS.

- c) The participants also had a feeling that partnering with the private sector is desirable, but the PPP process is not desired because of the challenges with understanding the process and it is not flexible to their operational challenges.
- d) The other reason it is perceived as not being the preferred process, it is very costly for the public sector who has very limited funds to afford the process.

Source: Participants on the research study (Participant 4, 9 & 12)

Wheeler & Hunger (2004) presents that throughout most of the history of industrial world, much of funding for large-scale public works such as roads and canals has come from private sources of capital. It was only towards the end of the 19th century that public financing of large 'infrastructure' projects began to dominate private financing. McLaney (2003) claims that in a conventional financing arrangement, projects are generally not incorporated by separate companies.

Other participants, 14%, (see Table 13), felt that they are unable to provide a fair and decisive answer to this question since they are still at the elementary phases of the process. However, they are interested in the process and its perceived benefits. Thus, organisations embarking on it should ensure that there is sufficient capacity in terms of skills from the public sector. Their view is that they want the private sector with its resources, with the proviso that the private sector is willing to also fit-in within the public-sector practices. Lastly, their view is that it relieves the public sector from the financial burden although guarding against the private sector taking the advantage of their position, and this helps prevent possible exploitation by the private sector. Notably, the information gathered so far, has revealed that the tourism PPP procurement process is not preferred by the private sector. Instead, it is preferred by the public sector with certain conditions that would protect it. The following analysis is about the view held by the participants from the financing institutions and the reasons for the views they hold.

The majority (70%) of the participants hold the view that the tourism public private partnership procurement process is the preferred partnership type by financing institutions and 30% of the participants held the view that it is not preferred PPP by financing institutions.

The participants that felt that it was the preferred partnership type held the view that it was well structured and provides a business opportunity for investments since it spreads the risk and provides security in the return of funds. Campbell *et al.* (2003) asserts that financial resources, as we have already learned, are an essential input to strategic development. The

financial institutions in this partnership type have some assurance that the project is viable as the process would not be registered with the Treasury without the prefeasibility study having been conducted and this gives the assurance that it is a viable business proposition. Financing institutions are in the business of funding both the private and the public sectors, and it is in their interest as this is a secured financing model where the state gives guarantees on the procurement of goods and services. Hence, these participants view this partnership process as a preferred partnership type. The other participants support the process, but raised their concerns that the process takes longer to be finalized and thus ends up with financial risks of holding funds for a project that is not starting as planned. The 30% minority hold the view that it is not the preferred partnership type, and the participants feel that the financial status of the public partner is always a problem and have lots of risks on issues that they cannot control from the community side. The participants further felt that financial institutions are always left with the debt in case the project does not take place and they are seen as the escape goat.

The next question was to establish as to whether the current Public Private Partnership Procurement process plan safeguards the interest of key stakeholders, that is, government entity and the private partner.

As indicated above, only 20% of the participants felt that the process does safeguard the interest of all the stakeholders. The majority (80%) of the participants held the view that it does not safeguard the interest of all the stakeholders. Supporting views, majority from the participants from the public sector, feel that the process plan does safeguard the interest of key stakeholders is as follows:

- a) It is governed by the PFMA of 1999 and, therefore, by its nature has and does safeguard the interest of stakeholders.
- b) It does, safeguard the interest, though not fully, as there are some risks that are not covered in the PPP process plan.
- c) The current PPP procurement process does safeguard the stakeholders but can be improved having a monitoring and evaluation process done monthly until the objectives are met.

Source: Participants on the research study (Participant 1, 7, 9 & 10)

The reasons given for this are that the current PPP procurement process does not take into consideration the way in which these organisations operate and the impact thereof. Thus,

there is reluctance from all the sectors to embark on this process. The participants felt that the current PPP procurement process always favours one side. Hence, there are always delays with implementation. Further comments made in this regard were as follows:

- a) Not fully comfortable with the process as it still cannot control all the stakeholders and cannot influence the profit demands from the private sector.
- b) The other critical factor is that the government seems to be going way beyond investigating reasonable risks and by so doing overprotects other stakeholders.
- c) The guidelines and the process have loop holes that either suit or are not relevant to the different organisations.

Source: Participants on the research study (Participant 4, 7, 9 from private sector & focus group)

The dominating view is that the current public private partnership procurement plan does not safeguard the interest of the stakeholders as it is one sided or seems to favour one party over another. Leading from the question of safeguarding the interest of stakeholders, the next question tests the influence of this view on the issue of participation. The study in this section sought to establish whether the current public private partnership procurement plan does encourage participation. As indicated in the table below, the majority, (60%), felt that it did not and only 40% of the participants felt that the process encouraged participation. This is linked to the view above from 80% of the participants that it does not safeguard all stakeholders' interests. With that view, it is not out of line if 60% of the participants are not encouraged to participate. Farazmand (2001) argues that the cornerstone for the relationship between the public and the private sector is how the partnership process between them is managed. Generally, as argued by Farazmand (2001) business and government work together through numerous integrated partnerships for economic and even for the social good of the society.

7.2.3 Ability to encourage the public sector and the private sector to work together

Taken and Singh (1992) view partnership as the joining of forces and resources for a specific or indefinite period to achieve common objectives. According to Shaw (2002), the reason why public-sector actors need to be in partnership with the private sector is that by far, the private sector is more efficient than most government run entities. Those who were positive about participation (see Table 14 below), cited the reasons that the process encourages

everyone to participate even though there is less understanding about this concept or process in that it allows the public sector and the private sector to work together in a fair and transparent environment, and lastly, because it is easy to comply with given the very clear guidelines it has.

Table 14. Ability to encourage the public sector and the private sector to work together

YES	40%
NO	60%

On the views that the plan does NOT encourage participation, the majority of the participants (60%) (Refer to Table 14 above) highlighted the reluctance of the organisations to participate because of a lack of knowledge about the process in the planning phase, it takes too long and the lack of control of one partner over another partner. These are some of the points that were raised by the participants about the relevance of the process and the motivation by the stakeholders to participate in the process. Detailed responses were as follows:

- a) Investors from the private sector are eager to work with government but the process with government takes too long to be finalized and as business people, money not invested is costly.
 - b) Even the planning phase takes too much time to have the public sector take a decision of whether they will be embarking on the process or not.
 - c) If advertised, very few express interests, as tourism projects hardly have more than ten organisations that express an interest on public private partnership processes.
 - d) Inability to control the other partner and the other partners' focusing on profits.
 - e) There is still lack of knowledge on this process from within the public sector.
 - f) The private sector wants quick interventions and decision making.
 - g) Organisations are reluctant to participate because of lack of understanding of the process.
- Source: Participants on the research study (Participant from Treasury, public sector & focus group)

From this information, it is evident that the process does not encourage participation. The next area of focus is to establish the views of the participants on the issue of whether the process plan does ensure compliance to regulatory requirements or not.

7.2.4 Ensuring compliance with the regulatory requirements

As per the Table 15 below, the majority of the participants agree with the view that the process plan does ensure compliance with the regulatory requirements. Only 35% of the participants felt that it does not ensure compliance with the regulatory requirements.

Table 15: On ensuring compliance with the regulatory requirements

YES	65%
NO	35%

The comments highlighted the fact that rules ensure that the process guidelines are done properly. Where there are risks, the process is able to spell out who will bear the costs or damages. The process regarding protection might be seen to be too inflexible. The participating organisation, according to the participants, cannot move to the next level until such time that it has been approved to proceed after all processes have been completed. The participants hold the view that a PPP project is beneficial to both the private and the public sector and, therefore, encourages links, creates more exposure and that in terms of the legislative requirements, it encourages the public and the private sector and NGO's to comment on the different ventures that are procured through PPPs. On the plan's failure to ensure compliance with the regulatory requirements, the following were the highlighted points:

- a) Due to the deficiencies in the model, all the players are not evenly yoked and so they are driven by other factors outside the PPP philosophy.
- b) In most cases the skills remain with the private sector and there are no transfers.
- c) Costs remain very high, which defeats the purpose of PPPs.
- d) There is no monitoring and evaluation during the implementation of the projects to advise early on these issues.

Source: Participants on the research study (Participant from private sector & focus group)

From compliance of the process with the regulatory requirements, the next stage is to look within the organisation and establish whether the organisational policies and strategies are aligned to support the PPP procurement process or not. Coyle, et al. (2003) argue that effective procurement methods and closely related concepts of partnership management are

the necessary cornerstones of a competitive strategy, risk management and increasing shareholder value for most organisations. The majority of the participants (90%) as per the table below felt that the organisational policies and strategies are not aligned to support the PPP procurement process. Only 10% felt that they were supporting the Public Private Partnership procurement process. Their view was that regulations, strategy and policy are pretty comprehensive on paper albeit with a difficulty to execute.

7.2.5 The culture and strategy supporting the process

The majority of the participants (90%) (Refer to Table 16 below) felt that for most public-sector entities, they are not and that is the reason why success is so low. The culture is still not supporting the process. However, organisations must review their policies and procedures to establish whether they are still in line with the MFMA or PFMA yearly. This must be done to evaluate and monitor the strategies to establish whether they are still in line with the PPP procurement processes. State developed and approved policies are supposed to force all the stakeholders to support small businesses, despite the fact that procurement policies are based on a lesser amount quoted at the best rate. Hence, procurement policies need to change to support these strategic directions.

Table 16. On culture and strategy supporting the process

YES	10%
NO	90%

Additional responses were as follows:

- a) Procurement policies for the municipality only support the municipality as the administrator. It is important for the Treasury to take over the running of the process to ensure alignment of activities.
- b) One is still waiting to see officials going around conducting assessment to ensure compliance, instead the private partners run the process on their own without the regulator monitoring compliance.
- c) The structures that need to approve processes from the government side are not fully behind the process because they do not see it as a solution.

- d) The policies are more on the operational issues rather than looking at the broad implementations that are aligned to the PPP and government mandate as well.

Source: Participants on the research study (Participant 3, 7, 10 from public sector & focus group)

From this subtheme on participation, it is important to note that the PPP procurement process, according to the participants, does not encourage participation. Participants, particularly from state organisations, fully acknowledge that regulations that ensure compliance with the procedures, are available, but do not encourage participation. The very strongly influenced factor of alignment of policies and strategies indicated that it is not aligned to support the PPP procurement process. This should have a major influence on the uptake of the process and the level of support received from the leadership structures within the organisation. The information gathered therefore, indicates that there is a challenge with participation on the process. Lack of participation, has an influence on the effectiveness of the process guidelines. This theme also covered the view about whether the PPP procurement process ensured compliance with the regulatory requirements or not and expounded the participants' views on whether the PPP procurement process is the preferred process by the public and the private sector or not. Participants from both the public sector and the private sector have confidence in the principles of the PPP process, but view the implementation process as a challenge. The next theme is on the analysis of the PPP procurement process performance.

7.3 Analyzing the performance of the Public Private Partnership procurement process

This aspect of the study aims at sourcing information that would assist in analyzing the PPP procurement process performance. The objective of this theme was to establish the views of the participants on the performance of the public private partnership procurement process. The discussion therefore, starts by checking whether the respondent organisations' PPP projects have completed the Treasury Approval stages. If completed, what contributed or supported them in completing the stages? If not, what caused the delays in the process? This

section closes by again checking whether the participants see any links between the success and failure of the project and the guidelines provided by the Treasury, and then recommends alternative ways that would strengthen the tourism PPP process.

7.3.1 Influence on the stakeholders' decision to terminate the process

The majority of the participants hold the view that the PPP procurement process by Treasury has some influence on the stakeholders' decision to terminate the project.

The reasons provided for this view that the process has an influence on stakeholders' decision to terminate the project were categorized as (i) leadership challenges, (ii) process flow challenges, (iii) lack of knowledge, (iv) cost of managing the process and (v) delays within the process. The bulk of the comments emphasize issues related to the process as the major contributors to the decision by organisations to terminate the project or process. According to the participants, the tight rules and processes that are not flexible push organisations to terminate the project. The potential investors decide to look for better opportunities somewhere else because of the rigorous and long process. Treasury's framework is very rigid and not flexible once the project has been registered and commenced. The investors are business people driven by a profit generating objective and government are too slow in their processes, hence, the termination before completion. Notably, therefore, frustration with the long process drives organisations to terminate the project.

The long period also has an impact on leadership issues as some phases are not finalized until there is a leadership change, for example, new board members. This further delays the decision-making processes. The participants acknowledge that there are regulations that govern the process if the private sector does not meet the requirements that were agreed upon. Treasury can intervene and other stakeholders for example, the board on behalf of the state organ, can submit a request to terminate the project. The next contributor in this section is linked to the cost associated with managing this process. The shortage of funds or limited funds in government entities, drive organisations to terminate the project or even not start the project. The unaffordable costs for transactional advisors that are recommended by the process prevent the public sector from engaging in the process or terminate it because of

budget constraints. The planning stage that according to the participants, is not fully covered within the process, also leads to the termination of the project especially, when it comes to influences brought by community dynamics. The last area explored in this section is the lack of knowledge in the process which drives the stakeholders to avoid or terminate the project.

7.3.2 Completion of the Treasury approval process

This section of the interview questions, explored whether the participants organisation's Tourism PPP project completed Treasury's approval stages. This was aimed at expounding the number of successes and/or challenges and highlights the reasons for either the success or failure to complete the process. The responses to this section are examined in line with the reasons provided above that were cited as contributors to the organisational decision to terminate projects.

Table 17. On completion of the Treasury approval process

YES	10%
NO	90%

The majority of the projects (see Table 17 above) have not completed the Treasury approval stages. They are at different stages of the approval process. Only 10% of the projects have been completed. In KwaZulu-Natal, only the Isimangaliso Wetland Authority has a Tourism PPP procurement project that has gone through phase two of the approval process. The actual procurement of the operational partner has not been completed, but has outsourced some of their operational facilities or activities. As covered in the categorization of the participants, the majority of the projects have spent a minimum of three years trying to complete the planning phase. Delays with the planning phase have been continuously identified as the biggest contributor to project failures. For one project, the organisation has finalized Treasury Approval I and is busy with the preparation for the next step of procuring the partner. Other organisations have not as yet completed the process, but are on track with

their plan. The following points are the reasons that were provided as contributors to the successes, delays and failures in the process.

- a) Some organizations took it upon themselves to continue capacitating the project team members, hence, the progress achieved. The guidelines were not as clear as they should have been.
- b) The stakeholders were having a clear understanding of the importance of having stipulations behind the Approval process, and as well as the level of competency in performing the necessary due diligence. Their understanding assisted the organization in moving ahead with the process.
- c) Full understanding of all role players involved and the assumption that each partner understands his/her role, contributed positively to the success of the phases.

Source: Participants on the research study (Participant the focus group)

The theory on chapter three of role players emphasises the point that for effective implementation of the PPP procurement process, the dedicated team or unit, must have the requisite knowledge and expertise in the PPP procurement process. An emphasis by participants in understanding the process towards an effective implementation supports the theory. This information is later in chapter eight, used to develop the proposed guidelines.

For the majority of the projects that are delayed projects, they are still within the planning phase and waiting for the approval of project viability and feasibility. The lack of clear cash flow channels and delays in sourcing funding for the process, also contributes to the process delays. The majority of participants (60%) cited bureaucracy, legislative compliance and lack of commitment from the project owners as contributing factors causing process delays. The planning process has taken too long to be finalized and as a result, the project has not moved according to plan. The key reasons for this are linked to the feasibility study that should determine whether this project is feasible. The confirmation of the feasibility thus allows for the support of one's application for the registration of the process with Treasury as the regulator. The following are the detailed reasons for various delays:

- a) The organisation is still busy with the formulation of the business case and has not yet even begun with the feasibility process.
- b) Still on phase II and busy procuring the partner.
- c) They range from TA I approval to TA III approval.
- d) Executives and management are still deliberating around the process and structure.
- e) Most of them are between TA 1 and TA II.
- f) Internal delays, still sitting with the Treasury for approval on TA I.
- g) Delays in the planning process trying to secure the approval for embarking in the process.
- h) Very far from completion, still engaging various stakeholders for approval.

Source: Participants on the research study (Participant 2, 4, 5, 7, 9)

The above section confirmed that only one project has partially completed the approval phases with the majority still sitting between TA I and TA II,(refer to Table 4 on Chapter 5). This indicates that there is either a challenge with the effectiveness of the guidelines in assisting entities to complete the process or a lack of understanding by the entities on how to implement the process as was indicated by participants in 7.2 above.

In addition to the challenges raised above, the researcher attempted to ascertain whether there is any link between the success and failure of the project with the Tourism PPP procurement guidelines provided by Treasury.

All the participants hold the view that there is a link between success and failure of the project with the Tourism PPP procurement guidelines provided by Treasury. However, the nature of this link was viewed differently by participants. Some of the participants identified a positive influence while others identified a negative influence. The positive influence the participants referred to was they felt that the guidelines are clear, straight forward and make the process simpler and smooth to follow. The process guidelines also clearly state the boundaries and limitations and if they are committed to, can simply be followed. The guidelines also ensure success by clarifying the limitations of the stakeholders involved in the process. Additional views noted within the survey/interviews are as follows:

- a) Guidelines are not in line with other factors that might lead to the completion of the project, hence, the challenge with successful completion.
- b) The guidelines have not been work-shopped enough with all the stakeholders to allow for a consultative process and amendments.
- c) There is a link in that if the parties involved are not investigated properly in terms of compliance with Treasury's guidelines, the project can fail.

Source: Participants on the research study (Participant 4, 5, 7, 9)

In relation to the negative influences as perceived by the participants, they are the process is not straight forward as the numbers of structures that they go through in the project sometimes make it difficult for other stages to be completed on time. The investors/implementer end up going back to the structures to source approval on the basis of the amendments, and this is repetitive throughout the process and becomes a vicious cycle.

7.4 Recommendations for change

This sub-section of the analysis looks at the recommendations for change. This section aims at sourcing information that will guide the study in necessary or required recommendations. It begun by checking whether the guidelines assisted the organization in going through the process or not. This sub-section asks whether the participants have a strong view that guidelines should be changed and in so doing, should provide reasons for their views.

7.4.1 Additional knowledge required that would strengthen the guidelines

In the process of contributing to the school of knowledge, the researcher investigated whether the participants see a need for additional knowledge or alternative ways of thinking that would strengthen the guidelines.

7.4.2 Changes required to suit individual organizations needs

Finally, the researcher asked the participants what needed to be changed in the process to suit the participants' organizations. This was needed in preparation for areas that might have needed the guidelines to be tailor-made for specific tourism organizations and dynamics.

7.4.2.1 Guidelines did not assist organizations to go through the process

Related to the participants' views on whether they thought the guidelines assisted organizations in going through the process or not, more than 50% of the participants (see Table 24 below), felt that the guidelines did not assist organizations in going through the process and 42% felt that the guidelines did assist organizations in going through the process.

Table 18. Guidelines that did not assist organisations to go through the PPP process

YES	42%
NO	58%

7.4.2.2 Guidelines assisted organisations to go through the process

Of the view that guidelines assisted organisations in going through this process, the participants felt that the guidelines assisted entities through the process as organisations check those guidelines against the policies and procedures of their organisation. The participants, both from the private and public sector, felt that guidelines are of a world class standard, but it is their implementation process or procedure that is difficult to apply. Hence, they are very positive about the guidelines. The participants further agree that the guidelines assisted the organisations in going through the process, but this was only in terms of information sharing. Notably, the application process is very slow and there are lower numbers of PPPs formed with the department. Further comments on this were as follows:

- a) Surely, they made the process simpler by clearly stating the boundaries and the limitations?
- b) They have been well formulated and serve well in ensuring successful PPPs.
- c) Due to its guidelines, parties can resolve their differences.

Source: Participants on the research study (Participant from public sector and private sector)

7.4.2.3 The guidelines partly assisted, but needed amendments

The following points were raised by the participants:

- a) Amendments to them should only be made where there are visible gaps.
- b) There still needs to be more workshops and also amendments to the guidelines.

Source: Participants on the research study (Participant from public sector)

7.4.2.4 The guidelines did not assist organisations

Of the view that guidelines did not assist organisations, the participants felt that there are a number of gaps that exist and which need to be addressed to ensure that all the processes are attended to at a local level to achieve the bigger objective of partnership, skills transfer and cost effectiveness. The participants felt that some organisations or rather individuals are not familiar with the guidelines and, therefore, are unable to benefit from the guidelines. Lack of commitment from leadership, at the accounting authority level, is seen as another issue to be addressed and this falls outside the guidelines. Additional views are as follows:

- a) Because they do not change the local procurement processes which are the challenge.
- b) They also do not state or force the discounts or incentives for attracting the investors.
- c) Stakeholders do not understand the guidelines and, therefore, had to benefit from them.
- d) There are a lot of risks that are not covered by the process.

Source: Participants on the research study (Participant 2, 4, 5, 7 & 10)

7.4.3 Performance of the PPP procurement process

Related to the theme of the PPP procurement process performance, the participants covered the perception on the process's ability to influence the termination of the process, the number of projects that have completed the approval process, the link to the strategy, and the ability of the guidelines to aid organisations to complete the process. The aim for this subtheme was to establish whether the current process as practiced, was meeting their expectations and whether their perception of the process challenges contributes to the decision to terminate the project. The participants view was that the process does not meet their expectations. This view is linked to the background on the success rate of the projects put through the application process thus far, that was discussed in chapter one. The next theme addresses the question of whether guidelines need to change according to participants' views.

7.4.4 Changes recommended by stakeholders within the PPP guidelines

In support of the findings that participants did not believe that guidelines were sufficient to support organizations, it was necessary to establish the required changes and improvements that are needed within the guidelines to support organizations. This information was critical in guiding the process of developing new or improved guidelines.

7.4.4.1 Changes that are needed in the guidelines

The question asked was whether participants felt that guidelines needed a change. The majority (74%) of the participants (see Table 19 below) felt that the guidelines needed to change and only 26% felt that they were sufficient and effective as they are. The minority (see Table 25 below) felt that the guidelines did not need to be changed. The participants further highlighted that the guidelines address the main purpose of providing direction in dealing with PPPs and that it is easy to follow them.

Table 19. Insufficiency of the guidelines for the process

YES	74%
NO	26%

Furthermore, the majority of the participants felt that guidelines need to ensure that they incorporate all the practicalities. So, instead of changing them they must be enhanced to accommodate the challenges faced by the different stakeholders, encourage participation and attract more businesses from the private sector and ensure that they accommodate common challenges or community conflicts. As a contribution, the participants added that the pre-planning phase by the board or decision makers within the organisation needs to be strengthened for the success of this process and the process needs to show relevancy to other economic sectors to ensure that they are effective and further encompasses/incorporates the challenges encountered. In the light of the perceived need for changes, the participants were requested to provide alternative ways of thinking that would strengthen the public private partnership process guidelines. The next sub-section thus deals with the participants' views concerning additional information or alternative ways of thinking and their influence on public private partnership process.

7.4.4.1.1 Changes recommended for the planning stage

There are three key points that were suggested by the participants on this issue. It was suggested that the guidelines should start from the pre-phase process where organisations engage the members of the accounting authority, accounting officer and the executives in the process to make it easier to sell and buy-in into the process. The majority of the participants felt that some elements in the guidelines should change to suit their organisations. The participants emphasized the fact that the PPP process should be implemented concurrently with the organisational strategy, policy framework and the proposed culture change. As highlighted in chapter three on the theory behind the current practice, Robinson (2010), argues that for any government entity to engage in PPPs as a strategy, it has to develop a policy that will guide the process. Robinson (2010) further argues that the effectiveness of the policy framework influences the outcome of a policy guiding the development of the public private partnership procurement process. Hence, the alignment of both sector

objectives is also viewed as critical at this stage of the process, for an effective implementation of the PPP procurement process.

7.4.4.1.2 Changes recommended for the business process

The strong view in this section, mainly from private sector, was to run the process on business principles. Many suggestions were made by participants in relation to the business processes involved in the PPP procurement process. Some of the key ideas focus on the point that organisations should refrain from deviating from the PPP procurement process by making them political cases but should keep them as business cases. The monitoring and evaluation of the processes on an ongoing basis would improve the efficiency of the PPP model. The processing of critical administrative documents by the public sector resulted into some tension between the partners and also delays that affected the cost from the private sector. Organisations must be provided with an increased budget for implementation and a longer period for planning than for implementation, and lastly, the fast tracking of the Treasury processes should be done by having a dedicated individual for each province or sector.

7.4.4.1.3 Changes recommended for knowledge management

Participants from both the public sector and the private sector, had a view that critical knowledge sitting with actors within industries were not fully utilized, hence the guidelines according to them, have a gap because of the lack of consideration the dynamics of each sector into the process. The guidelines should incorporate expert knowledge from each sector and further ensure that the dynamics are considered, whilst creating a common understanding between the two parties involved. Knowledge or expertise must be sourced from specific function or department to provide advice to the process. The team members need to be skilled in the process for effectiveness. Towards improving the knowledge base, the participants expect consistent adherence to the regulations by private sector.

A small group of 10% of the participants said they are not sure on this issue and also not aware of any organisation in KZN that has gone successfully through this process. The majority of the participants (90%) were of the view that there was consistency in adherence to regulations by the private sector, a lack of proper guidance on the process by the Provincial and National Treasury, political influence, and land issues that were not resolved prior to embarking each project. These created significant barriers to success. Furthermore,

processing of progressive documents by the public sector such as administrative documents, community infighting, unrest, insufficient budgets for implementation and a long period for implementation were raised as being problematic. Challenges that were also faced by organisations were that if there was no monitoring and evaluation done, the handing over of the project to the owner would be a challenge, as it would be handed over with unmanaged risks.

The theme in this section concerned the changes which the participants felt were necessary and would suite their specific organisations. These concerns need to be considered in the light of the procedural intentions of the current PPP procurement process and the need to reduce the ineffectiveness of the implementation process.

The minority of the participants felt that nothing should change from the guidelines, but organisations should change their policies and strategies to be aligned to the procurement process guidelines. They felt that entities venturing into PPPs should be thoroughly trained and proper monitoring should be in place to avoid confusion and delays because of lack of knowledge down the process.

7.4.5 Changes recommended for the Pre-Planning Phase

Participants from the public sector, hold the view that organisations should have more focus on the pre-phase process, and allow the public sector to use whoever as a transactional advisor and provide funding support for the process. To deal with the effects of time on the project, the participants felt that separate guidelines should be developed per sector. This should be aligned with the organisational objectives and needs. Sufficient clarity on how to apply the process was raised as a critical element as well. Organisational policies and structures will need to be aligned to the policies and procedures of the entity, so as to meet service delivery objectives of an organisation's internal strategies, policies and the mandate of each department and the dynamic environment which it operates under should be taken into consideration. The supporting Treasury office should focus more on assisting organisations to attract investors and provide protection to the government organisations. All government employees involved with projects should be familiar with the PPP process.

7.4.5.1 Capacity building

Training of relevant staff regarding the application of the process and its importance is critical to the success of the process. There should be individuals that have the expertise of the sector when drafting the guidelines. Departments must have their own coordinators working closely with the Treasury and continuous training to ensure that all the implementers understand the process.

7.4.5.2 Enabling Environment

The process should be realistic and to consider timelines and government processes towards the implementation of projects. The process should be re-modelled to factor in the needs/desires of the communities, how they will benefit, and consider the policies promoting local economic development strategies.

This theme focused on sourcing information on the views regarding the performance of the PPP procurement process relating to whether the guidelines are assisting the organisations in meeting their business objectives or not. The results indicated that participants felt that the guidelines fall short of meeting their expectations. The participants further provided a number of proposals ranging from business processes, an enabling environment, capacity building and re-modelling the guidelines by adding a critical pre-phase to assist with the planning phase.

7.5 Chapter Seven Summary

Chapter seven presented the last three themes and the objectives in each theme. Areas addressed in the objectives were related to the analysis of the perceptions held by the stakeholders on the PPP process and the influence of the process on the stakeholders; analysis of the PPP procurement process performance and finally, the analysis of the views of the participants on the sufficiency of the process and their recommendations for change. Information gathered from both the private sector and public sector, indicated that both sectors were not satisfied with the performance of the process towards enhancing and facilitating the partnership between these sectors. Areas including capacity building and the focus on business processes were highlighted as areas that need to be improved when introducing changes to the process. The key intervention that was highlighted across the

sectors, was an introduction of a pre-phase before the three established Treasury approval phases. The next chapter focuses on the summary of the study, the study's conclusion and recommendations for change in the process based on the shortcomings identified by the participants and the proposed guidelines.

CHAPTER EIGHT

THESIS SUMMARY, FINAL CONCLUSIONS AND THE PROPOSED GUIDELINES FOR THE IMPLEMENTATION OF A TOURISM PPP AS A TOOL KIT

8.1 Introduction

Coyle (2003) argues that effective procurement methods and the closely related concepts of partnership management are the necessary cornerstones of a competitive strategy, risk management and increasing shareholder value for most organisations. In this final chapter, the researcher presents the thesis summary, final conclusions and proposes a descriptive model in sequential steps for the implementation of a tourism PPP as a tool kit. This study aimed to evaluate the effectiveness of the tourism public private partnership procurement process, understand the reasons for the Treasury approval phases being successfully and/or unsuccessfully passed by the project applications and thereby, propose or formulate more effective guidelines to assist organisations as they embark on this process. Finally, guided by the theory and information gathered, the research also aimed to contribute meaningful insights derived from the study, to the school of knowledge related to tourism PPP procurement processes. Hence, this study analysed as comprehensively as possible, the effectiveness of the partnership-related procurement processes.

8.2 Thesis summary

The starting point of the research provided the precise study topic which was “An Analysis of the Effectiveness of the Public Private Partnership Procurement Process for Tourism Projects”. This section provided the introduction to the study which covered the broad intentions and road map for the study. Chew, Jr. (2001) indicates that students who are currently planning to pursue a career in business management, particularly, in supply chain management, whether within the public or the private sectors, need to have a clearer understanding of the concept of the tourism public private partnership procurement process.

Hence, the study sought to focus on contributing to this arena through guidelines within the tourism public private partnership procurement process. Improving the guidelines will also contribute to business continuity. To this end, Coyle, et al. (2001) assert that proposed business continuity initiatives through improved procurement methods have highlighted public private partnership as an important new concept to procurement which thus needs support to ensure best practice.

Chapter One provided the background which focused on the reasons for the researcher to conduct the study. The background to the study led to the problem statement which looked at the influence of the guidelines to the public private partnership procurement process as practiced, the impact of the public private partnership procurement process in attracting private investors and the reaction of the private investors. The problem statement enabled the researcher to clearly expound the problem in an attempt to establish the reasons as to why some projects successfully went through the guidelines whilst others failed to go through successfully. The problem statement then led the research to specific themes, objectives and questions that assisted in arriving at the proposed solutions to the problem. Guided by the aim of the study, the line of questioning focused on the following study objectives:

- a) To provide a conceptual background of the public private partnership procurement process.
- b) To identify gaps within the public private partnership procurement process.
- c) To provide the perceptions of stakeholders and the influence of those perceptions on stakeholders.
- d) To analyze the public private partnership procurement process performance and
- e) To make a contribution to the body of knowledge by way of adding to the current PPP process guidelines.

This chapter also provided the rationale for conducting the study. This rationale for conducting the study provided the intention of the study and the position of the researcher in relation to the study. The driving factor behind the rationale for conducting the study was the frustration experienced by the researcher and his colleagues within the PPP practice in relation to the failure rate of projects not reaching the completion stages, even when provided with the guidelines on the PPP procurement process by Treasury. Secondly, the

frustration by the private sector who wanted to contribute to the economic development of the country by partnering with the public sector, but had a view that they were hindered by public sector processes that were did not move. Thirdly, through the information gathered and analyzed, it provided an opportunity to contribute to the tourism PPP body of knowledge. The line of questioning and the rationale for conducting the study guided the researcher in the concepts that needed to be explored under the literature review. These were partnerships, procurement, public private partnerships, development, capital project funding processes, privatization, public entities, business continuity, policy and legislative framework, role players and actors, and organisational culture. The questions developed which focused on the conceptual background of PPPs, the identified gaps within the PPP procurement process, the perceptions by the stakeholders and the influence on the stakeholders, the public private partnership procurement process performance and the contribution to the body of knowledge further led to the construction or formulation of the theoretical framework which covered three inter-linked pillars. These concepts informed the focus areas within Chapter Two in the literature review.

There are three key pillars to the theoretical framework of the tourism PPP procurement process is a means of funding tourism projects through private investor involvement. The first two pillars, namely, the conceptual underpinnings of the tourism PPP procurement process and the enablers within the tourism PPP procurement process, formed part of the theoretical framework and in this study, they made up the first two theory chapters, that is, chapter two and chapter three. The third section in the literature review covered the role and influence of strategy and policy on practice and was Chapter Four of this study.

In Chapter Two, which dealt with the conceptual underpinnings, two key concepts were explored, namely, partnerships and procurement. The PPP procurement process in question was centred-around partnerships, hence the intensive review of the literature around partnerships. The analysis focused on eight definitions of partnerships and highlighted them from various theorists to various types of partnerships that were similar while others provided a unique influence on the relationship environment. The second concept underpinning the study was procurement. As indicated within the introduction, procurement rested at the heart of this study. Coyle, *et al.* (2003) emphasise the fact that on the business side,

progressive business management has recognized that the procurement function can make a substantial contribution to the profitability of the company's operations. Therefore, from a theoretical standpoint, it was evident that it is necessary to place the procurement function on a co-ordinated level with other major business functions in the organisational structure, if organisations want to maximize such contributions. This section expounded the concept of partnership and procurement as the cornerstone concepts in the study. The next chapter covered the enablers as the second pillar to the theoretical framework.

It was important for the holistic review of the literature to understand the key enablers affecting the delivery of an effective PPP procurement process. The key objective for the enablers was to facilitate continuous improvements within the PPP procurement process. Robinson (2010) concedes that in this regard, a number of enablers were considered important. Six strategic enablers were analysed, that were, (i) business continuity, (ii) strategic framework, legislative framework and policy dimension, (iii) dedicated PPP unit, expertise and knowledge, (iv) role players, (v) organisational culture and (vi) the reasons and objectives for privatisation and the role of the government and the private sector on privatisation. Having expounded the conceptual underpinnings and enablers in the PPP procurement process, the next stage was to analyse what influences the practice.

Chapter Four dealt with the strategic legislative framework guiding organisations in embarking on the PPP procurement processes, the South African Treasury approval process and PPP experiences from various countries. This chapter, further dealt with the tourism mandate and the tourism industry strategic guidelines, the tourism growth strategy in general and the South African Domestic Tourism Growth strategy, the practice of PPPs in South Africa; and the project approval processes as regulated by Treasury in South Africa. The theoretical information available suggested that, if followed and done correctly by organisations within an enabling environment, it has merit and may be the best procurement option for some of the states' infrastructural projects. It was further important to note, that implementing certain public private partnerships' best practices, identified through the theory and according to practices from other countries, can better ensure that the intended benefits of PPPs for the state are achieved.

Chapter Five provided the methodology that was used to gather, analyse and present the information. This section described the main criteria for adopting a certain methodology from among a wide variety of alternative methods for investigation. This study used the qualitative research method. The objective was to understand the in-depth viewpoint of the research participants. The study used the path of conceptual methods which involved using abstract ideas and theories. Thus, it was used to develop new concepts or interpret the existing ones. Techniques like interviews and focus groups allowed the research participants to give very detailed and specific answers. This study used questionnaires. This enabled the researcher to gather information through interviews and focus groups.

In selecting the sample, the target population was the tourism population within KwaZulu-Natal and role players outside KZN, but within South Africa which was SANParks and National Treasury. This was a rare population. In this research, six cases were analysed, four of which were from organisations that were project owners and two from organisations that were the enablers to the PPP procurement process. Two focus groups were interviewed to confirm and obtain more clarity on some of the critical issues. One focus group was the project owners and the other focus group was the enablers. This provided a total of 36 participants and each interview took about an hour to an hour and half per respondent. All the organisations from the sample were involved in PPP procurement processes. Their stages of involvement within the process varied from the project inception stage to the completed stage. This provided the research study with information on the challenges and the successes across the stages. The profile of the participants in terms of positions held within the organisations ranged from Project Managers, Heads of Departments, Heads of supply Chain Management, Auditors, PPP Specialists, PPP project leaders within the Treasury, Tourism Practitioners, Facilitators of Community Based Tourism projects and Funding Facilitators within the funding Institutions. This provided a huge opportunity and a benefit of a balanced view. The roles of these individuals within the PPP projects varied from Project Co-ordinators, Managers for the strategic direction of PPP projects, Auditors and Advisors to the PPP projects, Planners, Administrators and PPP Project Facilitators. This provided assurance of their full and active involvement in the PPP projects. Organisations provided the gate keepers' letters for doing the research and individual participants signed the consent letters for agreeing to participate in the study. The fact that this PPP process tool kit is regulated by

Treasury, both individual participants and organisations needed a confirmed assurance that their responses would not be used for penalising them. The presentation and analysis of data collected was undertaken and it revealed a number of outcomes. The final section which is covered in two chapters, Chapter Six and Chapter Seven was on the presentation, interpretation, analysis of research findings and discussions.

The presentation, interpretation, analysis of the research findings and discussion covered the data categorization where it provided the information confirming the existence of PPPs within the organisations interviewed, the involvement of these organisations in the tourism PPP procurement process, the level of involvement of the individuals interviewed in the process, and the period and the stage the process is within each case interviewed. The information gathered focused on the six themes and objectives for each theme. The themes covered were (i) establishing an understanding of the PPPs in general, and confirming the PPP procurement practice within targeted organisations; (ii) expounding the conceptual background of the PPP procurement process; (iii) analysing the identified gaps within the PPP procurement process; (iv) analysing the perception by the stakeholders of the PPP process and the influence of the PPP process on the stakeholders; (v) analysing the PPP procurement process performance and; (vi) change needed within the guidelines leading to the proposal on improvement to the guidelines. This summarizes the study incorporated within the first seven chapters from the introductory chapter through the literature review, practice, research methodology and the last two chapters on presentation, interpretation of research findings and discussions. The next section addresses the final conclusions derived from the findings.

8.3 Key findings and conclusions

8.3.1 Introduction

According to Hyman (2003), PPPs present a very good policy tool which can create many positive benefits if managed and structured correctly. For PPPs to succeed, there have to be high levels of commitment from all the stakeholders, and the process must be affected in a participatory and consultative manner to ensure that such partnerships are sustainable and

beneficial towards promoting growth. As much as there is no right or wrong approach to PPP, there is no perfect model for a PPP process, since each has to be tailored to fit local circumstances. Some of the best practices identified by Welck and Fremond (1998) include:

- Strong political support and leadership: A strong political and leadership support in the arena of PPPs, both at national and local levels, and exists in South Africa. National PPP champions include the Minister of Finance, and the State President, both of whom have repeatedly endorsed the role of PPPs.
- Public Information Campaign: International experience and the interview process revealed a major need to educate the public and organized labour of the benefit and dynamics of PPP operations.
- Accountability and Monitoring: This is a crucial aspect and lacks emphasis in South Africa. Many PPP partnerships are still in the initiation stages and it is necessary that active monitoring be effected in order to assess the impacts on a range of levels more accurately.

8.3.2 Project or process time frames

On average, PPP projects take 3 -5 years before it completes the inception stage, instead of the predicted one year. The guidelines do not assist in this case. Out of 5 projects that plan for a PPP, one completes the inception stage. This therefore, suggests that there is a challenge in the effectiveness of the guidelines. The biggest contribution to this is that the guidelines do not even cover this period as it assumes that the internal processes or systems are in place to deal with this. Therefore, this does indicate that the current set up within the initial phase is not contributing positively towards the desired outcome of laying a solid foundation for the process to be effective.

8.3.3 Participants' conceptual background of the Public Private Partnership procurement process

The specific question in this theme was meant to ascertain whether there is an existing conceptual background to the PPP procurement process in South Africa and whether the

guidelines adopted by government entities are linked to the theoretical background or not. There is clearly an understanding of the meaning of public private partnerships and of the theories that influence or should influence the public private partnership processes. All the participants were clear and their understanding was in line with what most theorists have articulated in their writings on partnerships. There is also a clear understanding that the public private partnership in general is different to a public private partnership procurement process. The expectation which the public sector has in the role of the private sector, could discourage the private sector from participation. The expectation is that the private sector takes over the risk from the partnership. There is a dividing line in terms of expectations between the public and private sector. The public-sector views PPPs as processes that assist towards community development whilst the private sector views it more as a vehicle for advancing business processes. This creates a challenge in terms of common interest when it comes to encouraging participation. In reference to the concepts like development, partnerships and funding that were sighted by the participants as the conceptual background to the process, the four categories provided by the participants were more specific to the reasons for the PPPs, and in the researcher's view, these are more relevant towards encouraging participation from all the stakeholders, that is the private and public sector and the financing institutions.

These focus areas were advancing community development thus facilitating the process of funding projects, advancing business processes and ensuring transparency in the procurement processes. A focus on these points would be more appealing to the business sector or private sector. The three elements that were highlighted as the reasons behind the original idea was economic transformation, improving business processes and addressing the issues of governance, that are, creating a conducive legislative and statutory influence. These would ultimately translate into economic growth and job creation. On the other side, organisations were engaging in PPPs for three reasons that are, for enhancing community development and participation, using the PPP process for funding purposes, and as an effective process or system for sourcing an effective partner. Based on the original idea and what the process is used for in South Africa, the researcher's conclusion is that there is no gap between the idea of having PPPs and what they are used for in South Africa. Even when one considers the views of the participants regarding the thinking behind Treasury using the PPP

process, the four reasons cited were that the process was used to attract investors, to create an enabling environment for meaningful participation, thus ensuring that partnerships are properly regulated towards enhancing business processes. Even with the views of Treasury, there is no gap in the expectation and operation. Based on this, there is a comforting level of understanding and the views on the focus areas suggest that both are ready to take the process to the next level.

8.3.4 Identified gaps by the participants within the Public Private Partnership procurement process

In terms of whether there is a gap between what was the original idea behind PPPs and whether there are areas that need to be addressed, the researcher's conclusion is that there are gaps where some of the critical elements are not sufficiently covered, for example, the guidelines are unable to regulate the process to ensure that the stages are finalized timeously, nor do they take into consideration the challenges faced by the different communities at grass root levels. The top three risks identified in the study were regulatory risks, political risks and project time lines have clearly indicated that the guidelines are unable to assist in managing these challenges. The guidelines are provided to support the business objectives. However, the link between the support and the objectives intended to be achieved suggests a gap. This conclusion is also supported by the fact that the intention for engaging in PPPs was to attract private investors. However, 60% of the participants' experience is that the PPP procurement process in its current form is not able to attract private investors.

8.3.5 The participants' views on the perceptions of the stakeholders and the influence of these perceptions on the stakeholders

Based on the frustrations linked to inefficiencies, political influence, the period it takes for the processes to be finalized and the absence of visible incentives from the government, the public private partnership procurement process is not the preferred procurement type by the private sector as it attempts to participate as partners with the public sector. Hence, even the majority of participants felt that the PPP procurement process is not the preferred

procurement type by the private sector. Their preference is that the public sector avails the opportunities, leaving it to them to decide on the partner. The public sector welcomes the process because of the challenge they have with the availability of funds. However, the public sector feels that they would cautiously partner with the private sector as they feel that the private sector would, when given the opportunity, exploit the public sector. The financing institutions are positive about the process. However, they are also very frustrated by the red-tape related to the process from the government side. The overall conclusion is that the stakeholders are positive about the PPP as a process of fostering meaningful partnerships between the public sector and the private sector, however, the guidelines need to be amended to provide the full intended support for the process. Regarding the process, the plan's ability to safeguard the interest of key stakeholders, fully acknowledges that the Public Finance Management Act of 1999 provides the legislated protection, the conclusion is that the process is still not fully able to control all the stakeholders and as a result cannot manage the high profit demands from the private sector. The number of successful PPP agreements concluded thus far, clearly indicate that the process has not been able to encourage the public and private sector to work together. Even from the investors' side, the concern is still about the time it takes for the public sector to conclude their positions and the planning phase that doesn't conclude the decision of whether it will embark on the process or not. With the private sector, time is money and they expect government entities to make quick decisions so that they could exploit the opportunity, and government organisations are reluctant to take decisions because of bureaucracy and a lack of understanding about the process. The biggest gap is created by the fact that even when the public sector engages in the PPP process, the culture and strategy of the organisation is not aligned to support the process which then frustrates the process. This therefore, also confirms the gap of the stakeholders' perceptions about this process.

8.3.6 The participants' views on the Public Private Partnership procurement process performance

The influences of the process guidelines on stakeholders' decisions to terminate the process is linked to the participants who agreed that it has an influence on the decision to terminate

the partnership. The reasons cited were leadership challenges, process flow challenges, lack of knowledge, the cost of managing the process and the delays in the process. With the success of less than 20% of the projects put through for completing the process, the clear conclusion is that performance is poor. In KZN, only one tourism project is partially completed within Isimangaliso. The rest of them are still in the process, with some having taken over five years without completion. Table Mountain and Kruger National Parks are the only examples of success in South Africa, but outside KZN, which is the focus of this study, the majority of organisations are between the stage of preparing the business case and the Treasury Approval 1 stage. Due to the non-existence of the link between the organisational strategy and culture to the PPP initiative, this is the premise for poor performance of the PPP process. Going through the guidelines and considering the views of the participants, it is clear that the guidelines are world class in terms of their theoretical basis. However, in the context of our environment, they are unable to assist organisations in going through these processes.

The researcher's conclusion is that the inception stage and the Treasury Approval I stage guidelines have gaps that need to be addressed for the effectiveness of the process. The guidelines from the inception stage to Treasury Approval 1 need to be amended as the biggest challenges are found in these stages. It bears repeating that the bulk of projects are struggling to go past that stage, some take three to five years. From the Treasury Approval II to Treasury Approval III, the guidelines sufficiently cover the needs of the stakeholders. Areas that need more attention are the planning or inception stage which covers the stakeholders buy-in in the process, capacity building, strategy alignment and the development of policies to support the process. It is in light of this, therefore, that the researcher presents the proposed model or guideline in question to the process. The proposed guideline would focus only from the inception stage until the Treasury Approval I Stage. The proposed guidelines are discussed in detail in the next section after further conclusions on the findings.

8.4 Further conclusions on the findings on the effectiveness of the Process Toolkit

This section covers the areas that fall outside the section that will be covered in the proposed guidelines, but are important as contributions to the guidelines for processes outside the pre-phase or project initiation phase. The projects examined reveal a lack of experience of the officials in terms of the modus operandi of PPPs. This was initially identified by Hyman in 2003. Ironically, fifteen years later, it is still a problem.

8.4.1 The National Treasury regulations for PPPs

At present, the National Treasury Regulations for Public Private Partnerships, provide a strategic policy framework for the rollout of PPPs, and they set the standards and processes by which potential PPPs will be managed and rolled out in South Africa. The PPP toolkit contains the necessary guiding tools designed to assist the government to structure sound deals with private partners for improved public service delivery. According to Hyman (2003:86) “A PPP is a contractual arrangement whereby a party of a department’s service delivery or administrative functions and assumes the associated risks”. In return, the private party receives a fee according to predefined performance criteria which may accrue:

- Entirely from service tariffs or user charges.
- Entirely from a department or other budget.
- From a combination of the above.

8.4.1.1 The theoretical framework identifies the following benefits presented by PPP’s:

- **Operationally:** PPPs are seen as gaining in efficiency, they are output focused and are seen to present economies of scales at all levels from integrating the designs, building, financing and operations of assets, creative use of existing assets, managerial expertise and better project identification.
- **Strategically:** PPPs are seen as enhancing project accountability and clearly specifying key responsibilities by focusing on major service deliverables.

Existing departmental resources are restructured and organized more strategically and efficiently to improve overall service delivery among government departments.

From the government side, PPPs are aimed at creating benefits that accrue to all its stakeholders viz: The framework lists these as follows:

- a) **For departments:** PPPs must result in accessible, affordable and safe services that meet acceptable quality standards.
- b) **For users of the service:** PPPs must result in accessible, affordable and safe services that meets acceptable quality standards.
- c) **For society:** PPPs must promote goals such as social equity, economic empowerment, efficient utilization of scarce resources, and protection of the environment.
- d) **For private parties:** PPPs must be sufficiently rewarding in relation to the investment required and the risk undertaken.

8.4.2 Treasury approval phases

As explored in the details of Chapter Four, the Current Practice on PPPs and the South African Treasury developed and provided phases that organisations have to progress through when taking their project through the PPP procurement process. These Treasury Approval Phases provide the steps that guide organisations in this process of PPP procurement.

8.4.2.1 Treasury Approval Phase 1: Demonstrating affordability

This project initiation stage involves decision making and exploration of options with respect to types, when entering into a PPP project, prioritizing projects and inclusion of such in the budget process. It involves the definition of the PPP project undertaking and options analysis and selection of the appropriate PPP type.

This stage involves the selection of the transaction advisor team and the departmental project team, which generally includes in-house and outsider advisors. The transaction advisory team is appointed through an open procurement process and draft terms of reference are developed at this stage.

This stage involves the preparation of a feasibility study which sets out the strategic and operational benefits to the institution and demonstrates the affordability of the deal, and the proposed allocation of risk between parties and the initial indication of value for money. The feasibility study also sets out the institution's capacity to procure, enforce, monitor and report on and regulate the proposed PPP project. Treasury must approve the feasibility study before procurement commences.

8.4.2.2 Treasury Approval Phase 2: Demonstrate Value Added

This stage involves the design of a fair and equitable, transparent, competitive, cost effective procurement process and preparation of a draft RFP document which also sets out the empowerment targets. The procurement phase entails the preparing RFP documents and obtaining Treasury Approval (TA) II, distributing the RFP to pre-qualified parties, structure engagement with bidders for clarification, comparing bids with the feasibility study and each other, and select preferred bidders based on best value for money, and gain Treasury Approval (TA) II that is the preparation and approval of value for money report. Contract negotiation and TA II approval is where the contract is negotiated with the selected private sector party. A contract management plan to enforce, monitor, regulate and report on the PPP is drawn up to obtain Treasury Approval III during this phase.

Project Evaluation:

This phase includes the evaluation of the proposals and the ranking of bidders and negotiations, and the final selection of a contractor.

Evaluation of Proposals:

At the onset, only proposals that are timeously submitted are eligible for consideration and each proposal must be carefully evaluated and scrutinized in terms of the evaluation criteria and feasibility studies undertaken by the review team. Once the Board has determined the most favourable bid, the organisation and the private sector bidder can sign a Memorandum of Understanding and commence negotiation on all the issues of the contract.

Contract:

The contract must state targets to be reached as well as the time frames for the performance. Risk allocation, the tariffs scheme and the schedule for future increases should also be spelt out. In addition, the specifics of the contract must include a timeframe for the contractor to

give a progress and performance schedule report to the organisation and make provisions for lack of performance and renegotiation.

8.4.2.2 Treasury Approval Phase 3: Financial Closure

In this phase, the National Treasury must approve the negotiated contract and the contract management plan. Once this is completed, the project implementation stage then starts. At this stage the contract is signed and a close out report is concluded. The responsibility of operation is transferred to the private sector party and the project commences according to the terms of the contract. The management of the partnership requires that outputs be measured and monitored and performance regulated and disputes settled. The progress of the project is reported in the annual report and is subject to scrutiny by the Auditor General.

Project implementation and monitoring:

This phase includes those aspects taken after the selection of the public private partnership option and or the establishment of the restructuring plan for the public service provider. It includes disclosure of the project, monitoring and renegotiation.

Disclosure of the project:

A key principle underlying all PPPs is transparency from the bidding process to the actual implementation of the operations or the project risks failure due to political reasons and other reasons such as corruption. It is vital that a climate of trust and mutual understanding is created and the process of engaging the private sector is done as transparently as possible.

Performance Monitoring:

The service provider must measure, monitor and report to the organisation and other regulatory bodies on an ongoing basis. The responsibility for monitoring the service provider's performance belongs to the organisations and must be published for public information.

Renegotiation:

It is important that service providers manage the relationships with the end users properly and keep them satisfied if PPPs are going to become more acceptable in S.A. Finally, the service provider and the organisation should maintain their individual rights' contract renegotiation and the mechanism for this to prevent disputes and misunderstandings in the life of the project.

8.5 Enablers Provincially

Many South African provincial governments have sought to develop strategic growth and development strategies in line with national policy. Within these frameworks, the provincial departments of finance and economic affairs have sought to provide conceptual frameworks for the roll out of PPPs. Most provincial growth and development strategies typically have the following objectives:

- a) The need to promote economic growth and socio-economic development
- b) To promote and effect sound corporate governance
- c) To promote infrastructural development and facilities investment opportunity for growth
- d) To effect strategies for conservation of the environment
- e) To promote development of human resources and skills transfer

Leading from the conclusion presented, recommendations that include the proposed guidelines follow below. The proposed model or guide for the effective implementation of a Tourism PPP project indicates that this process should be planned from the beginning when it is sold to all the stakeholders, particularly those on the ground. This is covered in detail in this next section.

8.6 Recommendations and Guidelines

8.6.1 Introduction

Hyman (2003:1) asserts, “It is important to acknowledge that South Africa as a country has great diversity and courage”. This is so because the people have emerged from a situation of separateness, based on racial and cultural divisions to one post 1994 that must adapt and become part of the global society. Since its successful transformation to a democratic society in 1994, South Africa faces some daunting challenges in its quest for social and economic

reform and overall growth. More acutely, the country faces major developmental pressure in the delivery of public services and infrastructure. However, most of these public sector organisations display a lack of the much-needed financial and managerial resources to be sufficiently empowered to achieve a desirable reduction in infrastructure backlogs.

Although the government has moved rapidly to implement a range of policy and delivery initiatives aimed at addressing its infrastructural and service backlogs across all sectors and levels, large gaps and backlogs still remain and need to be urgently resolved. There is a growing need to provide much needed new approaches and models or guidelines to solve existing problems. Partnerships have emerged as one of the most fashionable approaches and are strongly being promoted as a major mechanism for service delivery. The emergence of partnerships is recognition of definite economic and political changes that have transformed the manner in which policies are made and contribute to the acceleration of service delivery issues. There is a global trend to use 'public private partnerships' to improve levels of service delivery, by utilizing the expertise, investment and management capacity from the private sector to develop infrastructure and improve and extend services to the people. The provision of public sector infrastructure by the private sector is also an emerging trend in Southern Africa, and thus brings with it numerous opportunities both economically and socially, and the potential to reap tangible benefits in all aspects of the broader community.

Finally, as part of the process of rolling out Tourism PPPs at a national level, it is crucial that a potential partnership complies with the provisions of the Treasury Regulation 16 in terms of the Public Finance Management Act, 1999 as amended. This describes the sequence of activities necessary by the accounting officers of the national and provincial departments and some public entities. Thus, this study investigated the effectiveness afforded by the tourism public private partnership procurement process to projects owned by government entities. The findings confirmed that there is a need for an improvement in the guidelines. Hence, this study will conclude with a proposed model or guidelines to assist organisations with their initial or preparatory phase and consultative structures critical for the process to pass its Treasury Approval Phase 1. These steps are described below.

8.6.2 The initial phase and the implementation phase

The South African government entity that intends embarking on a tourism public partnership procurement process, as discussed in the study, has to go through four stages before implementing the project. The stages involved in this process from the concept proposal phase in the organisation to the last stage of monitoring the project are project initiation and registration stages, Treasury Approval I, Treasury Approval II, Treasury Approval III, development, operations, marketing, maintenance and project monitoring. All these stages could be divided into two main stages that are the project approval stage and the project implementation stage. The stages that occur before the implementation stage which are the approval stage, the initial project stage or initiating stage; Treasury Approval I, Treasury Approval II and Treasury Approval III. The project implementation stage in this case, refers to the period or stage after the Treasury Approval phases which are development, operations, marketing, maintenance and project implementation monitoring. The proposed contribution to the school of knowledge is focused on the initial project stage or project initiating stage. This initiating stage, as discussed within the final conclusion, was raised as the key contributing factor to the success or failure of the projects' ability to complete the approval process. The proposal will cover the concept development stage, linking the proposed concept to mandate and the Annual Performance Plans (APPs) of the organisation and department, conducting a pre-feasibility study, alignment of the organisational strategy which might include developing a commercialization policy and strategy. It will, further, take the proposal through the consultative structures and capacity building, securing approval from the internal stakeholders and signed-off by the accounting authority or even cabinet, and finally registering the project with National Treasury through the Provincial Treasury. Following is the proposed process flow expounding these stages:

PROPOSED PROCESS FLOW FOR THE PROJECT INITIATION STAGE (NINE STAGES)

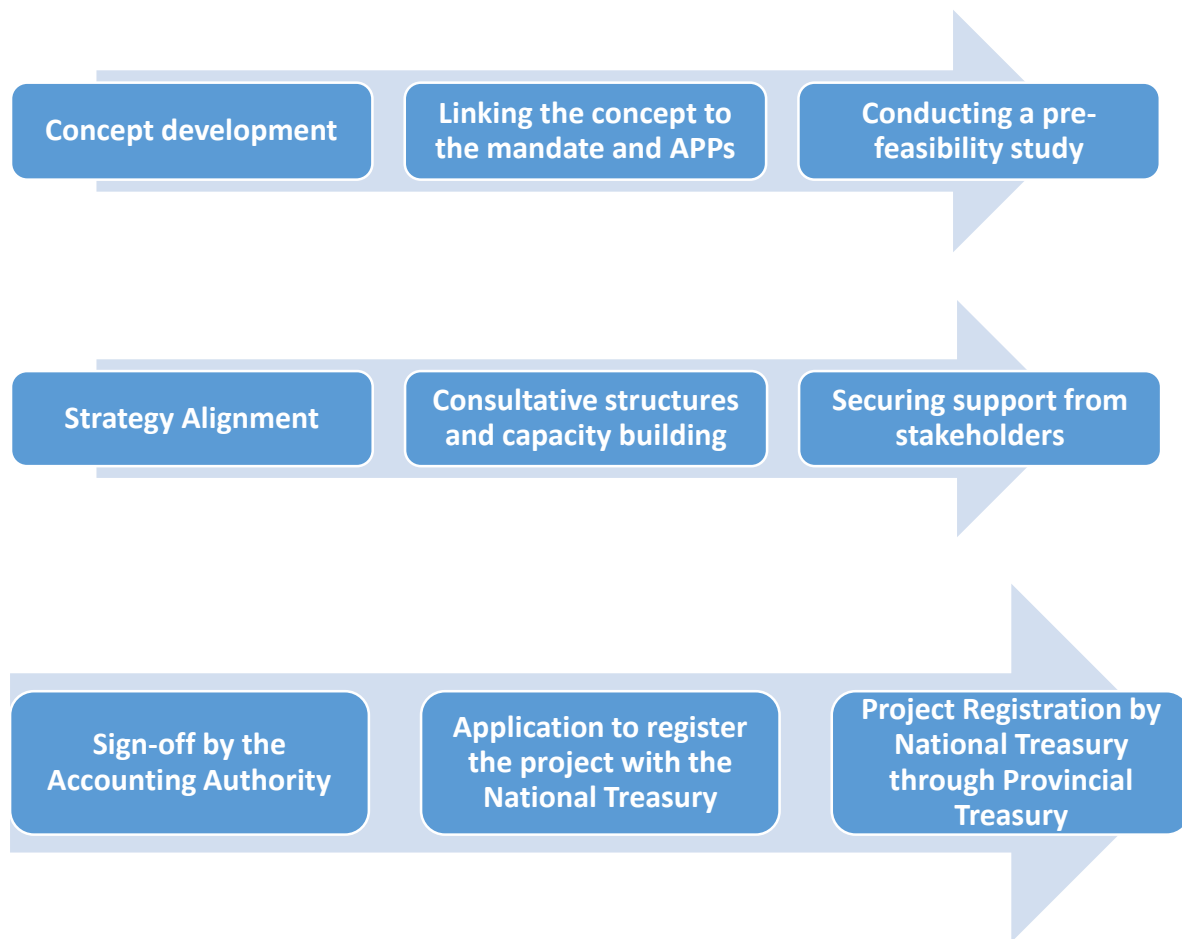


Figure No.5 - Proposed process flow for the project initiation stage

Source: Author's Own

8.6.3 Concept Development Phase

The concept is developed in accordance with the problem or opportunity identified. In the South African context, the majority of the PPPs emanate from the shortage of infrastructural project funding. The organisation is expected to make a business case as why they need to embark on this process. The reasons could range from there being no funds to develop the facility, funds are available but not able to cover all the areas that are in desperate need of funding, and therefore, the organisation is sourcing funds from a private partner for a specific project. In the concept development stage, organisations should cover the following areas:

- a) The problem, challenge or the opportunity identified.
- b) A clear positive contribution anticipated from embarking on the project.
- c) Conceive and develop an idea, identifying the project and the area of the project.
- d) Carry out an initial assessment as well as a high level identification of risk elements associated with the project.
- e) Present the project initiation stages to be addressed.
- f) Check the 'freedom to operationalize the idea'.
- g) Consider and plan for the sensitivity of job losses or gains.
- h) Clear identification of key stakeholders that will be affected by the project.
- i) Consider legal aspects of the project.
- j) Consider the strategy for commercialization and conduct an initial and basic evaluation of the:
 - I. Market potential.
 - II. Technical Evaluation.
 - III. Financial evaluation.
 - IV. Cost Approach-How much will the invention costs?
 - V. Income Approach-how much capital will the invention generate?
 - VI. Market Value Approach-based on supply and demand.

Once clear on these elements, the next stage is to understand the mandate for that government entity and clearly understand the APPs for the department.

8.6.3.1 Linking the concept to the mandate and annual performance plans (APPs)

It is not an option to operate outside one's mandate as a government entity. In any contract with the private sector the entity will expect the following guidelines to be followed:

- a) The principles of sound environmental management should be followed during the implementation and operation of any development or commercial activities;
- b) All development proposed and/or approved should be in line with the legal mandate of the entity;

- c) The opportunities for development in any area will support and adhere to the operational management guidelines and plans (LAP or IDP) for that area and as supported by the municipal authority;
- d) Any development should seek to deliver some benefit to the communities adjacent to the project planned and thus encourage the use of local entrepreneurs and developing work opportunities for those communities;
- e) All structures should be developed using South African materials, professionals and companies as far as possible; this is intended to support the job creation initiatives which is something that South Africa as a country is in desperate need of;
- f) All development should support the current South African and/or organisational 'ethos' in the use of resources as far as possible, for example, being energy efficient, reducing the use and wastage of water, using materials which can be recycled, reducing the amount of waste for disposal, using indigenous plants and not introduce alien fauna or flora, and promoting environmental awareness and so forth;
- g) Cognizance should be given to the entities' policies in terms of PPPs that are the Concession Management System, Monitoring Debtors, Policy and Procedures for the Establishment and Monitoring of Tourism PPP Agreements.

Developments should, directly or indirectly, contribute to the economic and social development of the neighbouring communities, through shareholding and management participation where possible, the promotion of public access and a sense of ownership, the creation of environmental awareness and the generation of supplementary funds for operation. In this context, it must be ensured, as far as is possible that much of the gross revenue from tourism within entities' areas remains within the province and is shared with the organisation through structured agreements. With those guidelines on the mandate requirements and APP expectations, conducting a feasibility study becomes more relevant as a scientific source of critical information to guide the process further.

8.6.3.1.1 Conducting a pre-feasibility study

This process assists the organisation to test the concept or ideas the stakeholders have. This is where high level questions like the problem or opportunity identified are intensely redefined. The idea is also tested with other key stakeholders to ascertain whether they also see the problem or identify the same opportunities as the individual or team that identified the problem. The stakeholders identified and engaged, are further given the opportunity within this stage to identify what they see as the alternative solutions to the problem or opportunity identified. Engaging the stakeholders like organized labour, potential clients and communities become very critical at this stage. This will assist in preventing blockages to the interventions proposed, especially from organised labour as the process has a potential of ending with privatization of some sections or activities. The pre-feasibility study should also be able to identify all the stakeholders. Other critical elements in this stage are due diligence; a basic relationship model identifying and expounding the relationship structure be it with the development company, operating company, investors, clients or communities within the project area; a basic operational model covering the operational details for the proposed project; a basic financial model covering requirements and implications for the proposed project, and complete it with an expression of interest that would gauge the level of interest from the potential investors and funding institutions. The expression of interest provides valuable information on what potential investors prefer and guide the project owner in developing the request for proposal documentation which is used in the process of sourcing the private partner. This information from the pre-feasibility study should allow the organisation to either decide to drop the idea or pursue the idea to the next level which should be aligning the strategy and policies of the organisation to accommodate the proposed direction of the organisation.

8.6.4 Strategy alignment

Strategies and policies are the enablers to the PPP process. For a government entity that has a strategy to generate funds as a cost coverage initiative might need to review its commercialization policy and strategy to enable all the internal systems and culture to support the new direction. The critical element to be considered under this section is the commercialization policy. As a public entity, it is critical for the organisation to take a policy

position to commercialize and have that position recorded and registered as a commercialisation policy. In pursuance of the organisational key purpose for existence, the initial stage is to look at the primary function of that tourism organisation which might be to develop, operate and promote a tourism facility within a specific area; ensure total customer satisfaction and experience while visiting the facility or area; generate revenue for sustainability of the facility and ensure the proper, efficient, and effective management of the facility.

The other critical issue is to consider the current position of the country in the sense that the current social commitments of the government are focused on re-dressing the imbalances of the past, leading to a reduction in government funds available for funding tourism activities, and therefore, need to supplement the funds received from government if it is to carry out its primary responsibilities. Within the same drive to supplement funds as a public entity, the organisation should consider their position and whether it has the legal authority to generate its own income for its own account or not. In generating income, however, the organisation should not place the department under which it falls, at unreasonable risk, nor prejudice the sustainability of the natural or cultural resources it sells. In the organisation's generation of income, it should always base such activities on the criteria of economic, social sustainability and ecological issues particularly on ecotourism facilities. Aligning the policy to accommodate the focus of both the national and the provincial government on economic opportunities for the development of small, medium and micro enterprises and the creation of employment opportunities, also becomes critical in the process of policy formulation.

As public entities, organisations should (i) deal with the fact that both the national and the provincial governments have identified the need for, and developed policies to involve the private sector in the development of government assets through Public Private Partnerships (PPPs). In developing the commercialization policy, organisations should consider aligning their commercialization policies to the national and provincial policy on PPPs; (ii) consider the fact that the provision of visitor facilities within one's area of control is in accordance with the legal mandate given to one's organisation. An approach on economic and social benefit from the facility to generate funds to supplement essential funds for community development to be included. (iii) As custodians of a public asset, there is a need to provide a range of visitor

facilities that are attractive and affordable to a broad range of visitors but which optimize the contribution to social and economic development.

With this policy direction, the organisation should therefore, be able to explore the generation of income to support its primary role through the development of facilities, commercial opportunities and services in the areas under its control. With the commercialization policy in place, the organisation would be able to review and align its commercialization strategy to support the intended process. Within the commercialization strategy, the following elements form part of the critical areas to be addressed, that is, organisational goals and/or objectives, intended outcomes, commercialisation pre-requisites, and weighing up commercialization models. The following elements are provided as guiding details to this effect:

Organisational goals/objectives which might include areas such as:

- a) Rationalization of expenditure.
- b) Outsource/forgo partnerships with the private sector on several facilities.
- c) Forge partnerships with communities.
- d) Outsource non-core commercial operations activities.

Outcomes intended might include:

- a) Turning around the financial position of the organization by:
 - i. Outsourcing non-core activities (driving partnerships with private partners).
 - ii. Outsourcing marginally performing core activities (driving partnerships with private partners).
 - iii. Developing a partnership model that ensures community beneficiation whilst ensuring increased financial benefit to the public and the private partner.

Commercialization pre-requisites:

- a) Industrial applicability.

- b) Technical validity.
- c) Market viability.
- d) Patentability.

Weighing up commercialization models should be made in light of:

- a) Overall objectives.
- b) Financial position.
- c) Available skills and resources.
- d) Strength of competition.
- e) Range of the possible use of technology.

Guidelines to be followed in the commercialization strategy

There are seven guideline points that the commercialisation strategy should adopt for an effective transition to a commercially driven entity or business sector. These guidelines are as follows:

- a) There must be a paradigm shift in terms of the mind set (organizational culture).
- b) There should be a corporate strategy which is cross cutting and applicable to all within the entire organization.
- c) New businesses should ideally be developed under a new entity.
- d) There must be efficient models in place for all organizational operations.
- e) Where required, resources need to be allocated for projects to be undertaken.
- f) The strategy should be driven towards increasing the level of the organization's self-sustainability or profit maximization and;
- g) Weighing up commercialization models should be made considering:
 - i. Overall objective
 - ii. Financial position
 - iii. Available skills and resources
 - iv. Strength of competition
 - v. Range of possible uses for the technology

There are ten methods of commercialisation for consideration by organisations' sources. The mandate, strategic direction of the organisation and the intention for commercialisation should guide the organisation in pursuit in the best method of commercialisation. These models incorporate the public private partnership, outsourcing licence or concessions, joint ventures, community public partnerships and full privatisation source. Any model adopted, should be taken through the risk profile to identify the one that is less risky.

8.6.4.1 Capacity Building

It is important that all these structures at the different levels of intensity are empowered with the requisite knowledge on the process and the organisation should be confident that they can make a meaningful contribution to the process. Structures that are tasked with the responsibility of authorizing the process need to know what they are accounting for and any compromise in the building capacity contributes to delays and unnecessary frustrations on the process. The project team members will also need to be fully trained on the process and all the related faculties that impact on the process.

8.6.4.1.1 Consultative Structures and Securing support from stakeholders

Once the model the organisation wants to pursue has been decided , a formalized consultative process needs to be followed. By virtue of consultation, not all the structures would need to make a decision, but some are for information sharing and some for obtaining contributions or views, and some for both. The consultative process could be targeted for the internal and the external audience. The internal consultative structures could be categorized into five structures, that are (i) staff structure or shop floor structure, where the entire organisation is taken into confidence on the strategy and process that the organisation is embarking on; (ii) a management structure that is from the supervisory level to the executive level, and this is where support or concern with the process is recorded. The intention is to have the support from these structures as their support is critical since they are the structure that will be managing the implementation process; (iii) labour forum structures that are from level 1 or the shop floor to the bargaining chamber level. This structure is very important as the process could result into privatization of non-core activities and that will affect the conditions of service for those workers affected by the process. The organisation by general practice, is bound by the recognition agreement with this structure and any intervention that will impact on the conditions of service will have to be signed-off at

this level; (iv) board structures, as it is the responsibility of the board to manage the strategy and policies and this is the structure that internally approves this process. The accounting officer will have to convince this structure that all critical internal structures have been consulted and that a clear process has been set for external consultation, and securing any authority necessary; (v) as a government entity, the portfolio committee structures are important for consultation and support. This is because the process will have budget implications and the portfolio committee approves the budget for government departments. External structures would include the community structure that surrounds the project targeted area, financing institutions, potential investors or service providers and local leadership structures within the targeted area. Different organisations have different dynamics and therefore, other structures could be existing for other organisations.

8.6.5 Authority requirements

For audit purposes, the following structures need engagement beyond information sharing, for project authorization and auditing and accountability purposes. Project authorisation would be needed from various structures depending on the project phase at that stage:

- a) **From Project Advisory Committee or Task Team:** These are the members that are on daily basis, are fully involved with the project. The process provides them with the authority to manage the project's daily activities and make decisions within the project's operations. Any change to the project plan would need to be supported by the commercial/business operations management committee.
- b) **Commercial/Business Operations Management Committee:** This structure includes all the senior managers who are tasked with the translation of all the strategic decisions into operational plans and implementation. Support from this structure ensures that all operational areas that are exposed or influenced by the project are considered before the project progress. The next level of authority is the executive committee.
- c) **The Executive Committee is also known as the advisory committee to the Accounting Officer for the organisation:** It is formed by the Heads of Departments and any other member as per the invitation by the accounting officer to serve on the advisory

committee to the CEO's office. The Executive Committee will look at the project against its objectives, organisational strategic direction and the implication of whatever is proposed against the strategy, values, organisational goals and implications on various departments. The next level of authorization is the Board Level.

- d) The Board Committees and Board meetings have the responsibility of protecting the shareholders with an oversight role within organisations. Members of the board are appointed by the shareholders and have the overall responsibility for the strategy of the organisation. PPP projects fall within their area of responsibility in terms of authorizing the objectives, goals and funding. For a private partner, the board could be the last level of authority. But for the public sector, the provincial cabinet would authorize or register the decision for record purposes.
- e) The Cabinet meeting in terms of the PPP project would have a final say on the project as some departments like Provincial Finance might need to provide some guarantees to the investor. They would also need to have assurance on the implications on job creation or losses for each project. The next stage of the process is to submit the documentation to Treasury with a clear indication of the support from all these structures above.
- f) Treasury (both National and Provincial) would set up a committee to go through the documents with the intention of advising and protecting the entity. Once satisfied that all areas of risk have been sufficiently covered, they will then provide the project with necessary approval, be it TA I, TA II or TA III.

Authorisation structures ensure that consultation has taken place, is an indication of the process uptake and provides some assurances for accountability.

8.6.5.1 Sign-off by the Accounting Officer and applying for project registration at the National Treasury

Once the Accounting Officer has presented the project to the Board and the Portfolio Committee and those structures have approved the plan, their approval then becomes an internal authority to submit the application to the National Treasury through the Provincial Treasury for registration.

8.6.5.1.1 Project registration by National Treasury through Provincial Treasury

Upon receipt of the application and having applied thought to the preliminary feasibility of the project, the National Treasury should then advise the Transactional Advisory team that will facilitate the process, appoint two officials, one from the National Treasury PPP Unit and one from the Provincial Treasury PPP Unit to both support the entity in the process. Another critical element that needs to be confirmed is the budget for the process and the clear commitment from the board to align its strategies to support a viable business option, as might be determined by the feasibility studies to be conducted during the process. Once satisfied with these strategic issues, the National Treasury should then register the project. The registration of the project with Treasury then concludes the project or process initial stage.

The aim of this chapter was to present the summary of the study, present conclusions drawn from the information gathered, analysed and interpreted, and presented the proposed changes to the PPP procurement process. These three areas, including the proposed addition to the PPP stages, were covered in detail. Further to the planned objectives of the study, the information gathered and analysed, gave an indication to research areas to be considered for further investigation.

8.7 Further research proposed

As noted by Christensen (2006) and Welman *et al.* (2005) a single case study does not constitute an all-encompassing conclusion. Such a study would either challenge the findings of this research or highlight some issues that need to be attended to with the intention of improving the guidelines. Thus, further research in relation to evaluating the factors impacting on the following areas should be explored.

There is a need to research in greater detail:

- a) The role of the local government and the private sector in identifying the project locally that has a PPP potential.

- b) The flexibility on the parliamentary mandate given to government entities in embarking on the PPP processes.
- c) The power of the PPP Unit to aggressively drive or facilitate the PPP processes within government entities.
- d) Evaluating the effectiveness of training or awareness initiatives on the PPP procurement process by Treasury to government entities.

Given the findings presented, the guidelines proposed and the recommended future research areas, the researcher is looking forward to improved processes within Tourism PPP procurement and in other government owned PPP projects outside of tourism. As asserted by Chew, Jr. (2001), that, progressive business management has recognized that the procurement function can make a substantial contribution to the profitability of the company's operation. The Treasury Regulations 16 of the PMFA of 1999, in terms of section 76, provides sufficient checks and balances to permit departments to determine their own procurement outcomes for PPP projects. However, these outcomes are dependent on the effectiveness of the PPP procurement processes undertaken and the successful completion of the PPP procurement processes, maximizes value for the procurement chain (Ellram, 1995). Hence, the contribution intended by this study.

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Appendix: A

Projects Background Information: A brief background to the projects to be investigated

A) KwaZulu-Natal Nature Conservation Agency (trading as Ezemvelo KZN Wildlife)

Ezemvelo KZN Wildlife is a Schedule 3C organisation in South Africa, within the KwaZulu-Natal Province, entrusted with the long-term conservation of the region's rich biodiversity for the people of South Africa and beyond the boundaries of South Africa. Ezemvelo KZN Wildlife operates from the heights of the uKhahlamba Drakensberg Park World Heritage Site, through the tropical savannahs of Zululand where the Big 5 inhabit Hluhluwe Imfolozi Park, and on to the brilliant coral reefs of the Indian Ocean that fringe the lakes and wetlands of the Isimangaliso Wetland Park World Heritage Site (Ezemvelo KZN Wildlife, 2015). Ezemvelo KZN Wildlife is also the authority for the Maloti Drakensberg Park World Heritage Site in terms of the World Heritage Convention Act (Act 49 of 1999).

Ezemvelo KZN Wildlife manages 103 conservation sites. Three of the projects within the research study are within the conservation areas managed by Ezemvelo.

(i) Royal Natal National Park

The Royal Natal National Park (RNNP) hotel is located in the uKhahlamba Local Municipality of the uThukela District Municipality, within KwaZulu-Natal. The original hotel was built in 1903. The hotel was slightly enlarged in 1916, and as stated by (KZN Wildlife, year?) was for years a popular mountain retreat. In December 1941, the hotel burnt down and was subsequently rebuilt on more spacious lines. The result of which became the Natal National Park Hotel with its dressed stone facades. In 1947 the hotel hosted the British royal family during a State visit and this led to the park and the hotel being called the Royal Natal National Park and ultimately, the Royal Natal National Park Hotel. The main building was located adjacent to a row of historical trees planted by the royal family in 1947. Facilities that were available at the hotel included a bowling green, tennis court, cinema, swimming pool, stables,

and paths in the surrounding protected area for mountaineering. During the 1980s and 1990s, the hotel was privately owned and managed. However, due to high operating costs and insufficient demand it was closed in 1999 (EKZNW PPP Progress Report on RNNP, 2010).

Current status

Having been out of operation for almost 10 years now, the hotel is in a state of disrepair. Previous studies, including the Redevelopment Options for the Royal Natal National Park Hotel within the uKhahlamba Drakensberg Park conducted in October 2005, have indicated the potential for commercialisation of the eco-tourism and hospitality functions at the RNNP, (EKZNW PPP Progress Report on RNNP, 2010). The Board of KwaZulu Natal Conservation in April 2008 contracted the services of Grant Thornton as lead transaction advisors to conduct (within a consortium or relevant specialists) a Public Private Partnership (PPP) feasibility study for the eco-tourism and hospitality functions at the RNNP and Spioenkop that would determine whether a PPP would be beneficial to the goals and objectives of EKZNW. The old hotel forms a part of the said functions at the RNNP (EKZNW PPP Progress Report on RNNP, 2010). The aim of the board and the objective of the PPP project is to partner with suitable private parties in a mutually beneficial manner and within an established framework for a PPP, to meet the following required objectives:

- The possible financing of the redevelopment of the old hotel;
- The designing, constructing and operating of this facility;
- To upgrade, if required, operate and maintain the existing hospitality facilities in the identified areas;
- To finance, design and construct any additional facilities that may be identified and agreed upon;
- To upgrade, if required, roads within the areas;
- To ensure the optimization of revenue.

In terms of the PPP feasibility process, the needs analysis, solution options, pre-feasibility due diligence and Expression of Interest (Eoi) have been completed. The business model, risk matrix, MOU's with financial institutions and procurement plan are currently being completed (Grant Thornton, Progress Report on RNNP PPP Project, 2013).

(ii) Banzi Camp Re-development (Within Ndumo Game Reserve)

Ndumo game reserve is one of EKZNW's most scenic game reserves. Banzi camp is built on the edge of the very scenic Banzi Pan within Ndumo Game Reserve. Eleven treated rooms with en-suite bathrooms are available for guests. There is a separate pub/dining area and the entire camp is raised up on wooden decks and walkways under a canopy of giant fig trees (Umkhivane), (Ndumo Reserve Strategy document, 2011). "Black Rhino, White Rhino, Buffalo, Hippo, Crocodile, Red Duiker, Giraffe and Nyala are fairly common, while Leopards and hyenas wander in and out of the reserve but not often seen," (Ndumo Reserve Strategy document, 2011). Ndumo is considered to be "the finest bird watching paradise locality within KZN" (Isivuno Strategic Plan Document, 2011:9).

Rationale for Redevelopment / Resuscitation of Banzi Camp

The camp has not been operational for almost four years and the reason is that Wilderness Safaris, a private operating partner, deserted the camp claiming that the model developed and implemented made the project unsustainable. Looking at the very limited alternative economic opportunities in the area, the community (as one of the partners in the ownership of the facility), decided to push for the resuscitation of the facility for job creation and enhancing the relationship between the community and EKZNW (Isivuno Strategic Plan Document, 2011).

The planned development will be packaged for tourists who appreciate the wilderness character of Banzi/Ndumo Nature Reserve. It is envisaged, based on previous experiences, that this facility may cater for both local and foreign tourists and that the proposed site could well be geared primarily for the middle to upper income tourist.

Development strategy

The development for the reserve should meet the following goals:

- It should maintain the existing infrastructure within the existing footprints.
- Visitors should have a variety of recreational experiences and should leave with an enhanced appreciation of nature conservation in its broadest sense, where

appropriate, transfer their knowledge, that is, visitors should be exposed to similar existing visitor activities and have an authentic experience.

- The economic advantages of the development must accrue to the community through the community levy fund, if it is taken over by EKZNW but if EKZNW partner with the community, the fund will accrue to the Trust or section 21 company (Isivuno Articles of Association, 1993).

The development was based on capital funding from DEAT, Community Levy and other funders. This development, through both the refurbishment and additional operational requirements or activities, was intended to provide appropriate jobs and skills transfer. The development should be linked to the community conservation area and the camp should be used to accommodate overnight hunters that will be hunting at the community conservation area.

Development criteria

The following development criteria are stipulated: The camp should be consistent with the KwaZulu-Natal Nature Conservation Board's mission and policies. The camp should result in the appropriate financial benefit and should be sustainable for both EKZNW and the community. The private partner will manage and market the facility and generate profits that would benefit both the community and conservation. All costs incurred by EKZNW in taking care of the additional conservation activities will be recoverable from the operations. The private company was responsible for operating, maintaining and marketing the facility. This facility was incorporated into the existing Ndumo camp and was operated by the private company. The community will have to establish a Trust. Some profits from the business operations were to revert to the community through the Trust. The Trust will oversee the running of the project, that is, from a strategic point of view.

(iii) Tembe Safaris

As the third case examined, Tembe Safaris has the similar characteristics as Ndumo and the reserves are neighbours. Tembe Safaris is within the Tembe Elephant Park. Conservation is operated by Ezemvelo and the ecotourism side is operated by a private partner. It also has better chances of being more profitable if run effectively. The challenge is that the sites are too narrow and will need an expansion in consultation with conservation authorities. There is an opportunity of linking Tembe Safaris with Kosi Bay because of the wildlife and the sea (Isivuno Articles of Association, 1993).

Challenges on the site

The challenges on the site are concerned with the explanation or interpretation of the agreements that are in place in terms of land rights. There is Ezemvelo as a conservation agency and Isimangaliso Wetland authority, also as a conservation agency, although it reports to a national office. There is Isivuno, as a Section 21 company formed by the government in 1993 to ensure community benefits from this facility. There is therefore, three role players who all claim to have a legitimate right to facilitating the development of the facility.

(iv) Kruger National Park within South African National Parks (SANParks)

SANParks was established by the Government in 1926 to manage the country's conservation areas of highest status of protected areas, such as, the National Parks. The Vision for SANParks is that National Parks will be the pride and joy of all South Africans (S.A. National Parks, 2015). Their mission is to develop and manage a system of National Parks that represents the biodiversity, landscapes and associated heritage assets of South Africa for the sustainable use and benefit for all," (S.A. National Parks, 2010, p.23). SANParks has eleven concessions in four national parks. These were signed between 2001 and 2005.

Kruger National Park in brief

Kruger National Park is the flagship of national parks under the auspices of the South African National Parks and it is home to a variety of species of both fauna and flora; which makes it the unique tourism leisure and business destination for the people of South Africa and the world, (S.A. National Parks, 2015).

(v) Drakensberg Cable Car

The province of KwaZulu-Natal, in order to ensure that it sharpens its competitive and comparative edge as a tourist attraction, put together a 20-year tourism master plan in which it identified key projects that needed to be pursued for the province to put the province at the apex of the global tourism market. The Department of Economic Development Tourism and Environmental Affairs (EDTEA) developed the KwaZulu Natal Tourism Master Plan which was approved and adopted by the KwaZulu Natal Provincial Cabinet in 2012.

The KZNTMP identified seven iconic tourism products that should be developed in the province. The cable car, being one, was identified as being critical for unlocking the potential of the tourism industry in KwaZulu-Natal. This project is one of the catalytic projects that are envisaged to unlock the tourism potential of uKhahlamba-Drakensberg region and further enhance the competitiveness of the province.

As tabled in the Drakensberg Cable Car Pre-Feasibility Study Document of 2014 (Maloti-Drakensberg, 2014: 10), the cable way project may well prove to be a “significant and innovative investment” to the world heritage site and its buffer. The idea of a cable car in the Drakensberg has been in existence for some 20 years. No proposal has been successful to date.

The mountains are a key tourist attraction and one that should be accessible to all who want to enjoy their beauty. Critically, this project will have domino development effects in the area. These include, among others, a proposed tranquil resort comprising a range of accommodation ranging from camping sites to hotels and lodges. The cable way is technically feasible. This initiative is a catalytic project that could change the economic development and tourism landscape of the Province, (www.maloti-drakensberg.co.za).

(B) PROJECTS’ ENABLING ORGANISATION

(i) Ithala Finance Corporation (Ithala)

Ithala is a financing institution that has been involved with the funding of the development on some of the facilities of the projects tested. Ithala is involved as a share-holder in the development Company of Banzi Pan. The original objective for Ithala in this partnership, was

to assist the community with funding in order to capacitate it. The arrangement was that they were going to be involved for 20 years and thereafter, sell their shares (Shareholders 'Certificate: Banzi Pan Development Company, 1996).

Appendix B

Link between Secondary literature and the Specific Questions

Item No.	Literature Chapter	Interview Question
	Contextualization and Conceptualizing Partnerships	
2.3.1	Definition and types of partnership	<p>Is the Tourism public private partnership procurement process the preferred partnership type by the private sector?</p> <p>Is the Tourism public private partnership procurement process the preferred partnership type by the public sector?</p>
2.3.4	PPP theory and practice	Does the current public private partnership procurement process plan safeguard the interest of key stakeholders i.e. government entities and private sector?
2.3.5.1	Causes for project failure	<p>Are there sections within the Public private partnership procurement process guidelines that need to be addressed for effectiveness of the process?</p> <p>In your view, is there any link between the success and failure of the project with the Tourism public private partnership procurement guidelines provided by Treasury?</p>
2.3.5.2	Global experience on PPP;s	Should the guidelines be changed?

		What additional knowledge / alternative ways of thinking would strengthen the Public
2.3.5.3	PPPs in South Africa	What is the motivation of the private sector to be in partnerships? Do you think the guidelines assisted organizations in going through the process?
2.4	Procurement within South Africa	What challenges were faced by those organisations that were not successful with the process?
2.4.5	Procurement as a key organisational strategic driver	Does the current public private partnership procurement process encourages business partnerships within the private sector?
2.4.8	Public private partnerships as a procurement mechanism	Are there sections within the Public private partnership procurement process guidelines that need to be addressed for effectiveness of the process? Does the current public private partnership procurement process plan encourage participation? In your view, in what way should the public private partnership procurement process change to suit your organizational needs?
3.2	Strategic drivers influencing the environment	Do public private partnership procurement process guidelines support government entities business objectives?
3.2.2	Risk management	What are the risks associated with the process? Is the public private partnership process fully incorporating all these risks?

		<p>What are the risk elements that in your view are not incorporated within the Public private partnership procurement process?</p> <p>Does the current public private partnership procurement process plan ensure compliance to regulatory requirements?</p>
3.4	Role players	Has your organization's tourism public private partnership project completed the treasury approval process?
3.4.3	Private sector and its role in enhancing PPPs	Does the current public private partnership procurement process plan ensure compliance to regulatory requirements?
4.2	Legislative framework, policy dimension	Are organisational policies and strategies aligned to support the public private partnership procurement process?
4.5	PPP practice in South Africa	<p>What is the motivation of the private sector to be in partnerships?</p> <p>Does the set public private partnership procurement process by Treasury have any influence on the stakeholders' decision to terminate the project?</p>
4.8	Project approval processes	<p>Has your organization's tourism public private partnership project completed the treasury approval process?</p> <p>What is the reason for success or factors that contributed to success?</p> <p>If delayed, what is the reason that caused delays</p>

Appendix C: Interview Questions

The Researcher administered face to face recorded interviews

The question that led to an answer or decision was:

Is the current public private partnership procurement process effective or not effective, if not, what contribution would add to the body of knowledge that would improve effectiveness?

INDIVIDUAL INTERVIEW DISCUSSION AS A SOURCE OF INFORMATION

PARTICIPANT'S DATA FOR CATEGORIZATION

YOUR ORGANISATION		
YOUR ROLE WITHIN THE ORGANISATION		
YOUR ROLE WITHIN THE PPP PROJECT		
PERIOD OF INVOLVEMENT	Is the project current? Yes / No	Specify Period:

ICE-BREAKING QUESTIONS

- a. Is your organisation involved in PPP's as a procurement process?
- b. Have you as an individual or on behalf of your section been involved in this process?
- c. What has been your involvement?
- d. What is your understanding about PPP's in general?
- e. What is your understanding of PPP's as a procurement process?
- f. In your understanding, why do we use this process in South Africa?

To expose the conceptual background of Public Private Partnership procurement process

1. What do you think is the thinking behind the Public Private Partnership concept in South Africa?
2. In your view, why do you think organisations use the PPP process?

3. Why do you think Treasury decided to use this PPP process?
4. Given what you think, do you think this process is linked to any conceptual background?
5. In your view, which theory that informed the Public Private Partnership procurement process in South Africa?
6. In your view, what is the purpose for these guidelines?

To analyze the identified gaps within the Public Private Partnership procurement process

7. Are there sections within the Public Private Partnership procurement process guidelines that need to be addressed for effectiveness of the process?

YES	
NO	

Why is that?

8. What are the risks associated with this process?
9. Is the Public Private Partnership procurement process fully incorporating all these risks?

YES	
NO	

Why is that?

10. What are the risk elements that in your view are NOT incorporated within Public Private Partnership procurement process?

11. Do Public Private Partnership procurement process guidelines support government entities business objectives?

YES	
NO	

Why is that?

12. What is the motivation for the private sector to be in a partnership?

13. Does the current Public Private Partnership procurement process encourage business partnership with the private sector?

YES	
NO	

Please explain?

To analyze the perceptions of stakeholders and the influence on stakeholders

14. Is the Tourism Public Private Partnership Procurement Process the preferred partnership type by private sector investors?

YES	
NO	

Please explain:

15. Is the Tourism Public Private Partnership procurement process the preferred partnership type by public sector entities?

YES	
NO	

Please explain?

16. Is the Tourism Public Private Partnership procurement process the preferred partnership type by financing institutions?

YES	
NO	

Please explain?

17. Does the current Public Private Partnership procurement process plan safeguard the interest of key stakeholders i.e. government entity, private partner?

YES	
NO	

Please explain?

18. Does the current Public Private Partnership procurement process plan encourage participation?

YES	
NO	

Please explain?

19. Does the current Public Private Partnership procurement process plan ensure compliance to regulatory requirements?

YES	
NO	

Please explain?

20. In your view, are organisational policies and strategies aligned to support the Public Private Partnership procurement process?

YES	
NO	

Please explain?

21. Does the set Public Private Partnership procurement process by Treasury have any influence on the stakeholders' decision to terminate the project?

YES	
NO	

Please explain?

To analyze the Public Private Partnership procurement process performance

22. Has your organisation's Tourism Public Private Partnership project completed the treasury Approval Phase III step?

YES	
NO	

23. If yes, what was the reason for success or factors that contributed to success?

24. If delayed, what caused delays on the project?

25. If not completed, what is the reason and status in terms of the treasury approval plan?

26. In your view, is there any link between the success and failure of the project with the Tourism Public Private Partnership procurement guidelines provided by Treasury?

YES	
NO	

Please explain?

To provide the recommendations for change

27. Do you think the guidelines assisted organisations in going through the process?

YES	
NO	

Why do you think so?

28. Should the guidelines be changed?

YES	
NO	

Why do you think so?

29. In your view, what additional knowledge/alternative ways of thinking would strengthen the Public Private Partnership process guidelines?

30. What challenges were faced by those organisations that weren't successful with the process?

31. In your view, in what way should the Public Private Partnership procurement process change to suit your organisational needs?

Appendix: D

Interview Questions-Focus Group

The Researcher administered face to face recorded interviews

The big question that led to an answer or decision was: Is the current public private partnership procurement process effective or not effective, if not, what contribution would add to the body of knowledge that would improve effectiveness?

FOCUS GROUP INTERVIEW DISCUSSIONS AS A SOURCE OF INFORMATION

PARTICIPANT'S DATA FOR CATEGORIZATION

YOUR ORGANISATION		
YOUR ROLE WITHIN THE ORGANISATION		
YOUR ROLE WITHIN THE PPP PROJECT		
PERIOD OF INVOLVEMENT	Is the project current? Yes / No	Specify Period:

Ice breaker questions

- a) Is your organisation involved in Public Private Partnerships as a procurement process?
- b) Have you as an individual or on behalf of your section been involved in this process?
- c) What has been your involvement?
- d) What is your understanding about the Public Private Partnerships in general?
- e) What is your understanding of Public Private Partnerships as a procurement process?
- f) In your understanding, why do we use this process in South Africa?

To expose the conceptual background of the Public Private Partnership procurement process

1. What do you think is the thinking behind the Public Private Partnership concept in South Africa?

2. In your view, why do you think organizations use the Public Private Partnership process?
3. Why do you think Treasury decided to use this Public Private Partnership process?
4. Given what you know, do you think this process is linked to any conceptual background?
5. In your view, which theory that informed the Public Private Partnership procurement process in South Africa?
6. In your view, what is the purpose for these guidelines?

To analyze the identified gaps within the Public Private Partnership procurement process

7. Are there sections within the Public Private Partnership Procurement Process guidelines that need to be addressed for effectiveness of the process?

YES	
NO	

Why is that?

8. What are the risks associated with this process?

9. Is the Public Private Partnership procurement process fully incorporating all these risks?

YES	
NO	

Why is that?

10. What are the risk elements that in your view, are NOT incorporated within a Public Private Partnership procurement process?

11. Do Public Private Partnership Procurement process guidelines support government entities business objectives?

YES	
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Why is that?

12. What is the motivation for the private sector to be in a partnership?

13. Does the current Public Private Partnership procurement process encourage business partnership with the private sector?

YES	
NO	

Please explain?

To analyze the perceptions of stakeholders and the influence on stakeholders

14. Is the Tourism Public Private Partnership Procurement Process the preferred partnership type by private sector investors?

YES	
NO	

Please explain:

15. Is the Tourism Public Private Partnership Procurement Process the preferred partnership type by public sector entities?

YES	
NO	

Please explain?

16. Is the Tourism Public Private Partnership procurement process the preferred partnership type by Financing Institutions?

YES	
NO	

Please explain?

17. Does the current Public Private Partnership procurement process plan safeguard the interest of key stakeholders i.e. government entity, private partner?

YES	
NO	

Please explain?

18. Does the current Public Private Partnership procurement process plan encourage participation?

YES	
NO	

Please explain?

19. Does the current Public Private Partnership procurement process plan ensure compliance to regulatory requirements?

YES	
NO	

Please explain?

20. In your view, are organisational policies and strategies aligned to support the Public Private Partnership procurement process?

YES	
NO	

Please explain?

21. Does the set Public Private Partnership Procurement process by Treasury have any influence on the stakeholders' decision to terminate the project?

YES	
NO	

Please explain?

To analyze the Public Private Partnership Procurement Process Performance

22. Has your organisation's Tourism Public Private Partnership project completed the Treasury Approval Phase III?

YES	
NO	

23. If yes, what was the reason for success or factors that contributed to success?

24. If delayed, what caused delays on the project?

25. If not completed, what is the reason and status in terms of the Treasury approval plan?

26. In your view, is there any link between the success and failure of the project with the Tourism Public Private Partnership Procurement guidelines provided by Treasury?

YES	
NO	

Please explain?

To provide the recommendations for change

27. Do you think the guidelines assisted organisations in going through the process?

YES	
NO	

Why do you think so?

28. Should the guidelines be changed?

YES	
NO	

Why do you think so?

29. In your view, what additional knowledge/alternative ways of thinking would strengthen the Public Private Partnership process guidelines?

30. What challenges were faced by those organisations that were successful with the process?

31. In your view, in what way should the Public Private Partnership procurement process change to suit your organisational needs?

APPENDIX E 1



15 August 2017

Mr Sthabiso Herold Chiliza (201508148)
Graduate School of Business and Leadership
Westville Campus

Dear Mr Chiliza,

Protocol reference number: HSS/1416/014D

New project title: An analysis of the effectiveness of the Public Private Partnership (PPP) Procurement Process for Tourism projects

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 04 August 2017 has now been approved as follows:

- Change in Title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of original issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Dr Jennifer Houghton
Cc Academic Leader Research: Dr E Munapo
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbap@ukzn.ac.za / snymann@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za



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Appendix: E 2



18 December 2014

Mr Sthabiso Herald Chiliza 201508148
Graduate School of Business and Leadership
Westville Campus

Dear Mr Chiliza

Protocol reference number: HSS/1416/014D

Project title: An analysis of the effectiveness of the Public Private Partnership (PPP) Procurement Process for Tourism Projects owned by Government Entities

Full Approval – Expedited Application

In response to your application received on 21 October 2014, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol (i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods) must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)
Humanities & Social Sciences Research Ethics Committee

/pm

Cc Supervisor: Dr Jennifer Houghton
Cc Academic Leader Research: Dr E Munapo
Cc School Administrator: Ms Zarina Ruliyraj

Humanities & Social Sciences Research Ethics Committee

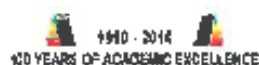
Dr Shenuka Singh (Chair)





Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X64001, Durban 4000

Telephone: +27 (0) 31 260 2587/2580/4557 Fax: +27 (0) 31 260 4600 Email: drshenuka@ukzn.ac.za / hrm@ukzn.ac.za / hrm@ukzn.ac.za

Website: www.ukzn.ac.za



Founding Campuses:  Durban  Pietermaritzburg  Nelson Mandela eThekweni  Westville

APPENDIX F: INFORMED CONSENT

UNIVERSITY OF KWAZULU-NATAL GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent,

DBA Research Project
Researcher: Sthabiso Chiliza (033-8451511 / 083 227 5990)
Supervisor: Dr Jennifer Houghton (031-260 7429)
Research Office: Ms P Ximba 031-2603587

I, (Sthabiso Chiliza) a Doctor of Business Administration student at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project entitled An Analysis of the Effectiveness of the Tourism Public Private Partnership Procurement Process on Tourism Projects.

The aim of this study is to evaluate the effectiveness of the Treasury Approval process, understand the reasons for the Treasury Approval Phases being successfully or unsuccessfully passed by project applications and thereby formulate more effective guidelines to assist organisations as they embark on this process.

Through your participation I hope to gather information, analyze and understand it and contribute to the body of knowledge for scholars and formulate more effective guidelines to assist organisations as they embark on this process. The results from the interview and focus group are intended to contribute to the body of knowledge for scholars and formulate more effective guidelines to assist organisations as they embark on this process

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this process. Confidentiality and anonymity of records identifying you as a participant will be maintained by the researcher in accordance with the Graduate School of Business and Leadership, UKZN stipulations.

If you have any questions or concerns about participating in this study, you may contact me or my supervisor at the numbers listed above.

Sincerely

Investigator's signature.....Date:.....

Appendix: G

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

DBA Research Project
Researcher: Sthabiso Chiliza (033 845 1511 / 083 227 5990)
Supervisor: Jennifer Houghton (031-260 7429)
Research Office: Ms P Ximba 031-260 3587

INFORMED CONSENT

I..... (Full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

Appendix: H

P. O. Box 15206

Bellair

4006

20 May 2014

Application for Authority to use the Organisational Experience on Tourism PPP Procurement Process for my Research

Dear Mr / Ms / Dr.....

I, Sthabiso Chiliza a Doctoral of Business Administration student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal, seek permission to conduct a research using your Tourism Public Private Partnership Procurement Process experience as part of the sample. This is in requirement for the fulfilment of my qualification.

My Research Project Details are as follows:

Research Topic: An Analysis of the Effectiveness of the Public Private Partnership Procurement Process for Tourism Projects owned by Government Entities.

Aim: To Evaluate the Effectiveness of the process, understand the reasons for the Treasury Approval Phases being successfully or unsuccessfully passed by project applications and thereby formulate more effective guidelines to assist organisations as they embark on this process

Main Objectives:

- To assess the Conceptual Background underlying the formulation and practice of Public Private Partnership Procurement Process
- To analyze the gaps identified within the Public Private Partnership procurement Process.

- To analyze the perceptions of stakeholders of the Public Private Partnership Procurement Process.
- To assess the influence of the Public Private Partnership Procurement Process on stakeholders.
- To critically examine the Public Private Partnership Procurement Process Performance
- To provide recommendations regarding improvement to the current Public Private Partnership Procurement Process guidelines.

Method of Data Collection: Face to face interviews and focus group

Period targeted for Data collection: Between July and August 2014

A summary conceptual document will be provided to all sample organisations on completion of the study.

Attached is a draft acceptance letter, which I hope will be used as confirmation for acceptance of the request. Details on roll out will be discussed with the contact person.

Your acceptance will be highly appreciated and will assist towards contribution to the body of knowledge in this field.

Thank you for your support.

Researcher's signature_____ Date_____

Researcher: Sthabiso Chiliza (033-8451511 / 083 227 5990)

Supervisor: Dr Jennifer Houghton (031-260 7429)

Research Office: Ms P Ximba 031-2603587

Appendix: I



Dear Mr Chiliza

This is to confirm our acceptance of your request. Your contact person will be Mr / MsHis/ Her contact details are as follows.....

Kind Regards

.....

APPENDIX J

TURNITIN REPORT: PERCENTAGE OF SIMILARITY

This is your Turnitin Digital Receipt

Dear Sthabiso Chiliza,

You have successfully submitted the file "An Analysis of the Effectiveness of the Public Private Partnership (PPP) Procurement Process for Tourism Projects" to the assignment "Thesis" in the class "PhD/DBA 2018" on 03-May-2018 10:25AM (UTC+0200). Your submission id is 950842058. Your full digital receipt can be downloaded from the download button in your class assignment list in Turnitin or from the print/download button in the document viewer.

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Assignment Inbox: PhD/DBA 2018

Info		Dates		Similarity		
Thesis		Start	15-Jan-2018 10:19AM	10%_	Resubmit	View
		Due	31-Dec-2018 11:59PM			
		Post	23-Jan-2018 12:00AM			
					Originally submitted formatPDF formatDigital receipt 